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|---|---|---|
| Austria Sch22 | Indonesia Rp3100 | Portugal Esc120 |
| Bahrain Din0.650 | Israel NS3.50 | S.Arabia Rs7.00 |
| Belgium BFr48 | Italy L1700 | Singapore S$4.10 |
| Canada C$1.00 | Japan Y600 | Spain Pta145 |
| Cyprus C£0.90 | Jordan Fils500 | Sri Lanka Rs30 |
| Denmark DKr10.00 | Kuwait Fils500 | Sweden SKr9.00 |
| Egypt E£2.25 | Lebanon $US1.00 | Switz SFr2.30 |
| Finland Fmk7.00 | Lux LFr48 | Taiwan NT$65 |
| France FFr6.50 | Malaysia Ringt2.25 | Thailand Bt50 |
| Germany DM2.20 | Mexico Peo300 | Tunisia Din0.800 |
| Greece Dr120 | Morocco Dh6.00 | Turkey L600 |
| Hong Kong HK$12 | Neth Fl3.00 | UAE Dh6.50 |
| India Rs15 | Norway NKr10.00 | USA $1.00 |

# FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,559 Thursday June 9 1988 D 8523 A


**W Germany prepares defences against UK soccer hordes, Page 2**

## World News

### Nigeria protests to Italy over toxic waste

Nigeria's military government has protested to Italy over the alleged dumping of an estimated 1,500 tons of toxic wastes in the Nigerian port town of Koko. The protest was lodged after drums were found on the property of a Nigerian who said he was being paid $1,000 a month to store the material.

**S. Africa protests**

More than 1 million black workers and students stayed home on the third day of a national protest strike. In strike-related violence, a baby was shot and a man was hacked to death.

**China warns students**

Chinese police cordoned off the centre of Beijing to thwart a planned pro-democracy demonstration by university students. Authorities warned students that the march was illegal and would undermine stability. Page 4

**Philippines land reform**

The Philippine Congress passed a land reform bill to "change the lives" of millions of impoverished Filipinos. Critics said the plan may fail if not implemented efficiently. Page 4

**Sri Lankan violence**

The Sri Lankan Government dispatched over 20,000 soldiers to the southern province to keep order during district elections. Pre-poll violence claimed eight lives and clerks on election duty demanded protection.

**Yeltsin elected delegate**

Mr Boris Yeltsin, ousted as Moscow Communist Party chief in November, has been chosen as a delegate to a conference on political reform. He lost his post after complaining that reform was proceeding too slowly.

**S Korea urges talks**

South Korea urged North Korea to respond positively to a proposal for high-level political talks on the Olympics and other pending issues between the two Koreas. Border march, Page 4

**Ariane launch set**

The demonstration launch of the Ariane-4 rocket, delayed by mechanical and computer problems, has been rescheduled for June 15, according to Arianespace, the commercial arm of the European Space Agency.

**Ugandan troops held**

Ugandan military police are holding 700 army officers and soldiers after a mutiny at two barracks near Kampala and an abortive attempt to assassinate President Yoweri Museveni.

**Temple zone postponed**

The Indian government bowed to protests of Punjab residents and postponed demolition of houses and shops for a security zone around the Golden Temple in Amritsar. Page 4

**Iran claims bases hit**

Iran said its Revolutionary Guards and Iraqi rebel allies destroyed two military bases in mountainous northern Iraq.

**Red Army deportation**

An alleged Japanese Red Army urban guerrilla, arrested in the Philippines shortly after undergoing plastic surgery, was deported back to Japan.

**Gadaffi uproar**

Libyan leader Muammar Gadaffi created an uproar at the Arab Summit accusing unnamed Arab leaders of being "lackeys of imperialism." Jordan's appeal, Page 4

**Workers leave Somalia**

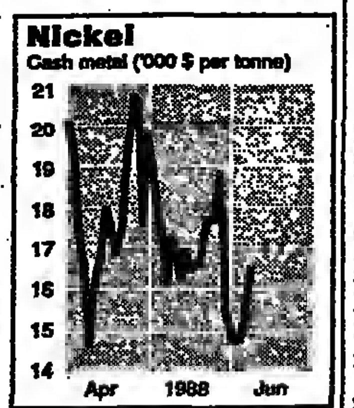
Foreign workers, evacuated from northern Somalia to escape fighting between government and rebel forces, began leaving after rejecting a government demand that they return to the region.

## Business Summary

### Dow Jones average breaks 2,100 level

WALL STREET: The Dow Jones industrial average burst through the 2,100 level yesterday for the first time in two months as investors swamped the markets with buy orders. The index, which fell 20.82 points on Tuesday, closed up 48.36 points at 2102.95, putting it about seven points below its post-crash high of 2,110.08. Page 42

NICKEL: Canada's Inco, world's largest nickel producer, has joined the London Metal Exchange as an associate trade member. Inco's move comes at a time when the nickel price on a roller-coaster. Last week the LME cash price dropped by $500 a tonne to $15,000, partly because Inco settled a new contract with its unions without a strike. This week nickel recovered strongly and yesterday was up another $550 a tonne for cash metal to $16,400. Page 30




MACMILLAN, New York-based publishing company, formally rejected the $2bn takeover bid from Robert Bass, wealthy Texas investor. Page 21

LONDON: The strong opening on Wall Street gave a much-needed boost to shares and the FT-SE 100 index closed 8 higher at 1,828.2. International blue chips were marked higher in line with American Depositary Receipts in New York. Page 38

TOKYO: Nikkei average failed for the third day running to close above 28,000, although it again made a brief foray above that level yesterday. The average closed 54.67 points down at 27,912.65. Page 42

DOLLAR closed in New York at DM1.7273, Y125.60, FFr5.8285, SFr1.4390. It closed in London at DM1.7185 (DM1.7150), Y125.25 (Y125.70), SFr1.4230 (SFr1.4290), FFr5.8000 (FFr5.7925). Page 31

STERLING closed in New York at $1.8075. It closed in London at $1.8180 ($1.8120), DM3.1250 (DM3.1075), Y227.75 (unchanged), FFr10.5450 (FFr10.4950), SFr2.5875 (SFr2.5900). Page 20; Currencies, Page 31

PARKER PEN, writing instrument manufacturer, scrapped its London Stock Exchange flotation plans yesterday – the day it was due to announce full details of its offer for sale. The embarrassing cancellation followed a dispute between Parker's advisers and the investors which helped fund the company's $70m management buy-out from its US owners in January 1986. Page 20

CHILE'S trade surplus jumped to $947m during the first four months of this year, a figure equivalent to 77 per cent of its $1,229.4m trade surplus for the whole of 1987. Page 3

INDIA: An international defence contract costing up to $1.5bn for an air force jet trainer, which the Indian Government has been planning for more than two years, is likely to be cut back. Page 7

J. ROTHSCHILD Holdings, $1.13bn UK-based investment company headed by Jacob Rothschild, is planning to spin off its longer term investments into a new £265m investment trust, RIT Capital Partners. Page 21

JAPAN "should carry the banner of free trade" as its responsibility to the world economy, Japanese Prime Minister Noboru Takeshita said. Page 7

# Mitterrand offers to waive a third of Third World debt

BY IAN DAVIDSON IN PARIS AND PHILIP STEPHENS IN LONDON

FRANCE signalled yesterday that it will offer the world's poorest nations the chance to cancel one-third of their debt to the Paris Government.

The move raised hopes that a wider international accord to ease the huge debt burden of sub-Saharan Africa will be reached later this month at the seven-nation economic summit in Toronto.

The French proposal was put forward by President François Mitterrand as one option in a three-point plan for discussion at the summit.

The plan bears a number of similarities to one urged since last year by Mr Nigel Lawson, Britain's Chancellor of the Exchequer.

Mr James Baker, the US Treasury Secretary, indicated last month that Washington is now more favourably disposed towards international action to help the poorest indebted nations, which are concentrated in sub-Saharan Africa.

The West German Government, another participant at the summit, also announced yesterday that it was discussing writing off DM2.2bn ($1.28bn) of debt owed by African countries to Bonn.

It continued to express misgivings, however, over some aspects of Mr Lawson's plan.

President Mitterrand's proposal, aimed at alleviating the debt burden of some 20 developing countries, was addressed to the six other heads of state or government at the beginning of this week.

He suggests three different approaches to reducing their debt if they have embarked on economic adjustment programmes.

The first is an immediate cancellation of a third of the public and state-guaranteed debt, in the framework of agreements to reschedule the remaining amounts over a period of 10 years.

Alternatively, they could opt for a rescheduling of the debt at market rates over a maximum period of 25 years, compared with a 20-year maximum at present.

The third option would be a rescheduling of the debt at preferential rates reduced by at least half, with repayment rescheduled over a period of around 15 years.

Mr Lawson's plan involves the conversion by governments of aid loans into grants, rescheduling of debt over longer periods with additional grace periods, and reductions in interest rates to take them to about 3 points below market rates.

He said yesterday that he welcomed the French proposal, which, along with Mr Baker's speech, would "clearly improve the chance of getting agreement on this issue at the summit."

France, President Mitterrand said, intends in any case to offer the first of its options to all the relevant debtors who desire it.

"This option, which has the advantage of leading to an immediate fall in the level of the debt, seems to me better suited to the situation of the poorest countries," he said.

He recalled that the industrialised countries agreed at last year's Venice summit on the necessity for a programme in favour of the poorest countries which embarked on adjustment policies.

"We decided to seek agreement on an extension of the periods of repayment, and that was done.

"On the other hand, we have made no progress in the application of reduced interest rates for the consolidation of debt," he said.

President Mitterrand stressed the need for rapid action.

"It has never been so urgent and so necessary to help the countries of the Third World, since the chasm between the rich and poor countries never ceases to widen.

"We can no longer accept a situation where financial transfers from the South to the North are almost $30bn greater than the transfers in the other direction."

President Mitterand proposed that the choice between his three options should be made by the creditor countries.

# Drexel faces civil fraud charges after SEC vote

BY ANATOLE KALETSKY IN NEW YORK

THE US Securities and Exchange Commission has voted to charge Drexel Burnham Lambert, the Wall Street investment bank which dominates the US high-yield bond business, with civil securities fraud violations stemming from the Ivan Boesky insider trading scandal.

The decision was revealed yesterday in a Drexel internal document and confirmed by government officials. It does not appear to imply, however, that any legal action against Drexel is imminent. In fact, SEC sources have indicated that no civil charges were likely to be brought until after the completion of the separate criminal investigation of Drexel and its employees by the Justice Department. This is unlikely to be concluded until next autumn.

The Drexel memorandum circulated yesterday said that the SEC's commissioners had "authorised the SEC staff to file a civil action" against the firm. In a separate public statement, however, Drexel continued to deny any wrongdoing and said it was willing to confront the SEC's charges.

"We are convinced that but for the accusations of Ivan Boesky, a convicted felon and admitted liar who is the principal source of the charges, there would be no action. While there is no certainty that the SEC will actually file charges, we are eager to resolve this matter and particularly to have the opportunity of confronting Boesky in a fair forum," said Drexel.

The SEC vote, which is believed to have been taken recently at a closed meeting of its five commissioners, is the latest move in a two-year campaign which government officials have been conducting against Drexel. Although no charges or indictments have been filed against the firm or any of its employees, in spite of the steady stream of rumours about imminent legal action, Drexel has previously suggested that a civil action by the SEC was likely.

It stated several months ago in a public filing that the SEC staff had recommended civil securities charges to be brought against the firm. Mr Michael Milken, the head of the firm's junk bond operations, has also told a Congressional committee that he was appearing before a grand jury in connection with criminal securities charges. He has also consistently denied any wrongdoing.

Some analysts speculated yesterday that the SEC may have voted to bring civil action to put more pressure on the Justice Department to complete its investigation of Drexel. Others pointed out that the SEC vote could indicate the growing confidence in Washington about the new-found stability of the US financial markets.

One of the reasons why the Commissioners had not previously endorsed the staff's recommendation to file civil charges was said to be their concern about destabilising the markets in the aftermath of last October's crash.

# Slide in dollar will hurt global economic balance, bankers say

BY DAVID LASCELLES IN CHICAGO

ANY FURTHER decline in the value of the US dollar against major currencies will not help the process of economic adjustment between the US and the rest of the world, leading central bankers warned in Chicago yesterday.

Mr Alan Greenspan, chairman of the Federal Reserve, the US central bank, said that adjustment was proceeding as rapidly as it should. If the dollar fell further, it would stimulate demand for US exports beyond the capacity of the US to produce the goods. This, in turn, would only set off a counterproductive rise in US inflation.

Central bankers from the US, West Germany, the UK, Japan and France were speaking at the conclusion of the International Monetary Conference here.

London market operators were quietly optimistic about the outlook for sterling yesterday. Foreign investors were beginning to buy the currency again after favourable interest differentials were re-established against the yen and the D-Mark. Page 20

They stressed their belief that the US dollar was unlikely to deteriorate further in the short term, and that it would be harmful if it did. They also expressed satisfaction with the achievements of adjustment so far, as seen in a rise in US exports and Japanese imports.

Mr Jacques de Larosière, Governor of the Bank of France, said: "It is very important that we do not disturb the present pattern of events." Mr Karl Otto Pöhl, President of the Bundesbank, said Germany would continue to encourage domestic growth within the constraints imposed by concern for the exchange rate and monetary growth.

The central bankers also discussed further measures to strengthen economic co-ordination between industrial countries in the run-up to this month's Toronto summit. The US is pressing for a widening of the range of indicators which are monitored internationally to include commodity prices. However, the Germans still maintain that monetary indicatora must remain uppermost.

All the governors agreed that the correction of the American budget deficit remains the key economic task for the next US Administration.

Michael Dukakis is in a strong position to bargain with his defeated rival, the Rev Jesse Jackson

# Dukakis rejects Jackson right to be running mate

BY LIONEL BARBER IN WASHINGTON

GOVERNOR Michael Dukakis of Massachusetts yesterday rebuffed a claim by his defested Democratic rival Rev Jesse Jackson to be his automatic running-mate in *the November presidential election.*

Mr Dukakis, who clinched the Democratic nomination after sweeping the last four primary elections on Tuesday night, said Mr Jacksoo, his nearest rival, was worthy of consideratioo but added: "No one is due an offer."

Tbe exchange signalled tbe first test of will for Mr Dukakis who starts out an early favourite over Vice President George Bush, *tbe Republican candidate* who trails by up to 15 per cent in national opinion polls.

Speculation rose in Washington that Mr James Baker, US Treasury Secretary, will resign shortly to become chairman of Mr Bush's troubled campaign. Mr Nicholas Brady, the Wall Street investment banker who this year led a presidential inquiry into the October stock market crash, is said to be the front-runner to succeed Mr Baker.

Four convincing primary election wins in California, New Mexico, Montana and New Jersey gave Mr Dukakis, the Greek immigrants' son from the suburbs of Boston, more than the 2,081 delegates he needed

The clean sweep put him in a strong position to bargain with Mr Jackson, the black civil rights leader who is seen as too far on the Left of the Democratic party to be a *suitable running-mate* in November but who is bound to influence party policy.

Mr Jackson suggested thet, having won 7m votes and 12 primary and caucus elections, he had an option to accept or reject the vice-presidential slot. Mr Dukakis, while careful not to rule out Mr Jackson, said others deserved attention. Early favourites include Senator John Glenn of Ohio, the former astronaut, *and Senator Bill Bradly of New* Jersey.

Throughout the day Mr Dukakis stressed the theme of party unity in the run-up to next mooth's Democratic convention in Atlanta where is he will be officially confirmed as the presideotial nominee. He was helped *by endorsements from two earlier* rivals, Coogressman Richard Gephardt of Missouri and Senator Paul Simon of Illinois.

Mr Bush, who ran unopposed in Tuesday's Republican contests, has five mooths to sort out his campaign. Most experts continue to predict a tight contest in November's general election.

However, Mr Bush desperately needs to establish an ideotity independent of that of President *Ronald Reagan.* Polls show that up to 40 per cent of Amsricans have an unfavourable opinion of Mr Bush. He is running weakly among women and among Democratic voters who were wooed successfully by Mr Reagan in 1980 and 1984.

Mr Baker is not thought likely to resign until after the economic summit in Toronto later this month, but many expect him to join the Bush campaign before the *Republican* convention in New Orleans in mid-August. He is an old friend of Mr Bush and has run two previous presidential campaigns.

The Bush camp has suffered from divisions between the Vice-President's chief of staff, Mr Craig Fuller, and the field staff led by the current campaign chairman, Mr Lee Atwater.

So far, Mr Bush has sought to paint Mr Dukakis as a *free-spending liberal* from tbe north-east. On Tuesday night he likened the general election in November to the 1972 campaign between President Richard Nixon and Senator George McGovern.

However, Senator McGovern was the most liberal Democrat to run for the White House since 1945. Mr Dukakis's great strength is that he has avoided labels and has a record of fiscal conservatism.

*Mr Dukakis* ran a *well-funded,* well-organised campaign which saw him outlast his better-known Democrat rivals.

# Competence stressed as key to Democratic campaign

By Stewart Fleming in Washington

GOVERNOR Michael Dukakis, the Massachusetts Democrat now assured of winntug bis party's presidential nomination and the early front runner to succeed President Ronald Reagan in the Whtte Honse, best summed up the qualities *he* believes led to his victory and which he hopes will lead the American people to vote for him in November.

After etght years of charisma, he has been asking his audiences, isn't it time for a little competence in the White House?

Competence has been thc hallmark of his campaign. For the political marathon which began in earnest with the Iowa caucnses in February, Gov Dukakis assembled not only the best financed but also hy far the best managed nationwide organisation of all but one of the candidates.

The exceptioo was Vice President George Bush, who has, in effect, been ruoning for President since 1979. Ironically Mr Bush ran short of money before Gov Dukakis even though be had no real competition after March 16, Super-Tuesday.

As a result the Vice President was unable to mount a full media campaign in California in the days before Tuesday's elections.

While irrelevant as far as Tuesday's Republican primary was concerned – for Mr Bush had no opposition – this organisational slip-up could be costly later.

It was another sign, along with some crashing of the gears within campaign headquarters, that the Bush juggernaut is having problems, and it meant that an opportunity had been missed to attack Gov Dukakis in a state many political analysts believe could be decisive in November's election.

Astonishingly, Gov Dukakis, hardly known nationally until the campaign started, is now leading the Vice President in opinion polls both nationally and in California.

Gov Dukakis has displayed many qualities in his march to the Democratic nomination. Among them are the capacity to manage successfully a complex organisation, patience, and the tonghness to take painful decisions and to live with them which he demonstrated with his decision to fire as campaign manager his



## CONTENTS



**ETHIOPIA DEVELOPS A SHARP THIRST FOR BATTLE**

President Mengistu is rallying troops and public sentiment to defeat Eritrean and Tigrean rebels, Page 4

# Delors revives industrial democracy plan

BY WILLIAM DAWKINS IN BRUSSELS

THE EUROPEAN Commission yesterday attempted to revive its controversial and long-stalled efforts to increase workers' involvement in big companies' decision-making, by floating outline plans for an EC company statute.

Brussels envisages offering the Community statute as an option on top of national company law, rather than making it compulsory as in previous proposals on industrial democracy, like the Vredeling directive, which foundered on intense resistance from employers.

Yesterday's move is the personal initiative of Mr Jacques Delors, the Commission president, who is increasingly concerned that progress on social policy is lagging in the EC's mainly business-oriented drive to create a free single market.

Mr Delors has timed the launch of this industrial democracy initiative to encourage EC leaders to confront the question of what kind of social policy they want in 1992 at their summit at the end of this month. That will be when they decide whether to re-elect Mr Delors with his fresh emphasis on industrial workers' democracy to lead the Commission's next four-year term, starting in January.

The end of the month also marks a change of EC presidency from West Germany, which has pushed hard for progress on the internal market, to Greece, which wants to stress the kind of social policies close to Mr Delors' heart.

The main purpose of an EC company statute, first proposed in 1970, would be to allow groups in different member states to merge without having adopt the corporate laws of either country, so making it easier to integrate management. One side effect would be to allow such groups to write off losses arising in one EC country against profits in another, though Commission officials stress that they want "neither fiscal nor social evasion."

Brussels wants reactions from member states and the European Parliament over the next six months before it makes firm proposals, yesterday's announcement being no more than a sighting shot.

The Commission suggests offering companies which choose to adopt a European statute three options for differing degrees of worker involvement. These are a West German style regime of co-determination, with workers' representatives on a supervisory board; internal workers' committees as in Belgium, France and Italy; or Scandinavian style collective bargaining, meant to be the softest option for employers.

But the choice would be limited by the stipulation that all companies must also observe existing laws on workers' rights in the EC country in which their activities are based. That would mean, for instance, that a West German company could not avoid national rules for high levels of industrial democracy by adopting an EC statute, said the Commission.

● The Brussels authorities yesterday proposed that small shareholder-managed companies should be excluded from EC accounting obligations, a move which would benefit a large number of family-owned businesses. The Commission also adopted proposals to allow companies to publish accounts in Ecus, so as to simplify financial management for companies which work in several European currencies.

# Mitterrand appeals for a 'stable majority'

BY IAN DAVIDSON IN PARIS

PRESIDENT Francois Mitterrand yesterday broke his long silence on the course of the French general election campaign, with a formal call to voters to send a "stable majority" to the National Assembly in order to enable him to carry out his mission. He also warned the electorate against "any coalition of electoral interests" which might be contrary to the principles of equality and solidarity.

There has been noisy condemnation by the President's Socialist party of the electoral pact which the traditional conservative parties have concluded with Mr Jean-Marie Le Pen's extreme right-wing National Front party in the Marseilles region.

In eight of the 16 constituencies in Marseilles and the surrounding area in the Bouches-du-Rhone *département*, where Mr Le Pen's men had done particularly well, the conservative parties have withdrawn their candidates, while the National Front has withdrawn its candidates in the other eight seats.

In practice, therefore, the Gaullist party and its allies in the UDF centre-right grouping have formed up with the National Front in a tacit alliance to reduce the Socialists' chances of an absolute majority in the decisive second round of voting next Sunday.

But after many previous assertions from both right-wing groupings that there would be no deals with the National Front, conservative leaders were at pains yesterday to claim that no *national* agreement had been reached, just a local arrangement. Some even managed to pretend that there was no agreement of any kind with the Front, merely a fortuitous coincidence of personal decisions to withdraw from the race.

On Monday, however, Mr Charles Pasqua, the former Interior Minister and campaign manager for the Gaullists, had already made the situation clear: there was no national negotiation, but what happened in Marseilles was a matter for Mr Jean-Claude Gaudin, leader of the right-wing parties in the Bouches-du-Rhone.

Mr Gaudin was so anxious to avoid publicity for his agreement, that his announcement was repeatedly postponed on Tuesday, and not finally delivered until five minutes after the main evening television news bulletin.

Suspicions commentators assert that the agreement between the National Front and the traditional right-wing parties extends beyond Bouches-du-Rhone. In the run-up to the election, Mr Le Pen had threatened spoiling tactics in the second round if the conservative parties refused him an electoral pact.

In the event, the Front has withdrawn most of its candidates who might have gone on to fight the second round, and in the Alpes Maritimes *département* near Marseilles it has stood down four candidates with the declared purpose of avoiding "any risk of electing a single Socialist candidate".

The local agreement in the Bouches-du-Rhone is not in doubt: what is less clear is whether on balance it will help or harm the traditional conservative parties. Their assumption is that the withdrawal of National Front candidates will help swing National Front voters behind the remaining right-wing candidates; but the instability of the Front electorate makes this a gamble, while it risks mobilising more Socialist voters, and may swing centrist voters behind Socialist candidates.

At all events, it is a symptom of the closeness of the race and the sudden intensity of a struggle which could go either way, that virtually all the leaders of the centre-right parties were yesterday maintaining a discreet silence on Mr Gaudin's agreement. Only Mr Raymond Barre, the former Prime Minister and presidential candidate, and significantly not a party leader, publicly admitted yesterday that he was "concerned".

# De Mita reaffirms policy on pay

By John Wyles in Rome

THE Italian government would stand firm by its public sector pay policy, Mr Ciriaco De Mita, the Prime Minister, said yesterday. Last week's controversial pay deal for nearly 1m teachers was a special case which must not be repeated elsewhere.

In his first assertion of prime ministerial authority over economic policy, Mr De Mita warned that "what we have accepted with this contract will not lead to concessions that would prejudice the strategy for repairing public finances."

The increase in total public sector salary costs would be kept below the growth of nominal gross domestic product (real economic growth plus inflation). "The Government clearly reaffirms that what has happened in the school sector is not repeatable in other sectors," he added.

Mr De Mita issued his public warning in a speech to the retailers' association in the wake of growing criticism of the three-year pay deal which awarded rises of more than 50 per cent at a cost of L5,600bn (£2.43bn). Militant teaching organisations are already set to reject the proposed deal.

Confindustria, Italy's top business organisation, claims that it undermines the Government's general economic policy, while union representatives of private sector workers are warning of rank and file discontent at the level of increases.

Containing public sector salaries was central to the Government's strategy of eliminating spending deficit net of debt interest payments by 1992, said Mr De Mita.

The school issue was "atypical" because the cost of the deal would fall more on the investment side than the current spending side of the budget and because the Government could not allow further decline in the school system.

It was not true that the government's economic strategy had been breached even before it had started to apply, the Prime Minister said.

In spite of "fantastic figures" which were being bandied about, its financial impact this year would be limited to L500bn and this would have to be recouped.

The short term impact on the real economy would not be important unless it was exaggerated by "speculative and destabilising behaviour which we will not tolerate because it would be unjustified," said Mr De Mita.

"Of one thing you can be certain, the economy will not be left ungoverned," he added.

● The Prime Minister's hope of carrying an affirmative parliamentary vote over the relocation of 79 F16 US fighter bombers in Italy to his meeting with President Ronald Reagan in the White House next week has collapsed. Widespread absenteeism among members of the majority parties lost the Government a procedural vote on Tuesday which would have brought forward the debate over the F16s from its scheduled date next Thursday.

# Dutch avoid coalition health row

By Laura Raun in The Hague

THE DUTCH Government appeared to be stepping back from a confrontation over health care reform last night by temporarily patching over differences within the ruling coalition.

During a parliamentary debate last night, the governing Christian Democrats and Liberals were expected to halt their bitter feuding over a proposed national health insurance scheme. However, a battle over the level of health insurance premiums may resume next week.

Relations between the Christian Democrats and the Liberals, their junior partners, remained more seriously strained than at any time in the past six years.

Mr Ruud Lubbers, the Christian Democrat Prime Minister, has accused the Liberals of "political vandalism" and Mr Joris Voorhoeve, parliamentary leader of the Liberals, has retorted that the Prime Minister is "chasing a chimera."

Neither Mr Lubbers nor Mr Voorhoeve seems particularly eager for early elections, although the Prime Minister is thought to want them some time before they are scheduled in 1990.

It was Mr Lubbers who unexpectedly precipitated the confrontation with the right-of-centre Liberals. He was furious at recent suggestions by the Liberals that he was the source of leaked information on plans to scrap an investment subsidy programme. The leak allowed companies to apply for as much as Fl 100m (£29m) in subsidies at the last moment.

Now half way through his second term, Mr Lubbers wants to reassert his power. He has grown increasingly irritated by a series of cabinet rows over education, police and European Community passports.

● A small anti-apartheid group said on Tuesday that it had broken into the offices of a Dutch shipping agents in Zaandam and stolen documents on imports of South African coal, Reuters reports from Amsterdam.

The "Split Apartheid" group said it had stolen the documents from Combined Amsterdam Shipping Agencies, in which Royal Dutch/Shell has an indirect holding, claiming they showed where the booming imports of South African coal via Amsterdam were actually going.

Shell has been the focal point of a violent anti-apartheid campaign in the Netherlands and scores of petrol stations owned by Shell have been attacked in recent months in protest against the oil group's presence in South Africa.

Split Apartheid claimed Dutch companies were actively helping South Africa beat coal import boycotts in France and Denmark,

Shevardnadze: "A momentous historic event."

# Moscow invites world to watch destruction of its missiles

THE SOVIET UNION yesterday invited representatives of the world community to witness its destruction of the first cluster of short- and intermediate-range nuclear missiles, Reuter reports from the United Nations.

Mr Eduard Shevardnadze, the Foreign Minister, told the UN General Assembly that the event would take place in a few days as the era of nuclear disarmament began. The invitation includes representatives of the Security Council and Mr Javier Perez de Cuellar, the Secretary General.

"This, of course, is not the Bolshoi Theatre, but a major premiere none the less, a momentous historic event," he said. "It has been made possible by the Moscow summit."

Mr Shevardnadze did not say where the destruction would take place or name the states or the total number that might attend.

"The Soviet Union invites the United Nations secretary general, representatives of the members of the Security Council, the representative of Zimbabwe as the current chairman of the non-aligned movement and delegates to the conference on disarmament to attend one of the first missile-elimination procedures," he said.

There are 15 members of the Security Council, including the US, Britain, France, China, West Germany, Italy and Japan. Forty members, including all five nuclear powers, are attending the special UN conference.

The Foreign Minister said the Soviet Union had "lots of weapons" and because of Mr Mikhail Gorbachev's doctrine of openness, he would give figures.

"The Soviet Union's strategic offensive arms at present comprise 2,494 delivery vehicles and about 10,000 warheads, including those on sea-launched cruise missiles," he said. "But the world must know that in addition to vast arsenals of weapons the Soviet Union has an even greater reserve of political will for disarmament."

Hazel Duffy reports on a fight for control of structural funds

# Brussels plays for high stakes in battle over regional aid reform

AFTER MONTHS of diplomatic wrangling over suitable ways of defining the poorer parts of the European Community, the foreign ministers of the Twelve look close to agreement.

The stakes are high since definition will identify those regions which will benefit from the doubling by 1993 of what Brussels calls the structural funds.

The real test of whether the money will be spent more effectively, however, will come with the implementation of the reform of the funds which is due at the beginning of next year.

Some observers believe that the powers of the European Commission to intervene in the policies of national government spending in the regions will have more effect than the funds in the longer term in transferring resources from the richer to the poorer regions.

Late last year Mr Peter Sutherland, European Commissioner in charge of competition policy, concluded an agreement with the West German Government to cut back on the proportion of the country which is eligible to receive regional and industrial aid and to reduce the actual incentives.

Although the eligible proportion is creeping up again – mainly because of restructuring in the steel industry – the Commission is reasonably satisfied that a start has been made in this highly sensitive area. In the last few weeks, a deal has been struck with the Italian Government over the southern area of Mezzogiorno – for long considered a sacred cow in Italian regional policy – which will reduce aid to the more prosperous parts of the problem area.

Meanwhile, the Commission has three funds theoretically at its disposal to counter the wide variation in regional prosperity – the regional development fund, the social fund, and the agricultural fund. Although the size of the funds has grown steadily, the problem has far outweighed the resources available to deal with it. On average, money from the funds represents less than 10 per cent of that spent by national governments on a vast array of schemes to improve the economies of their regions.

**Mr Jacques Delors, Commission president, wants Brussels to have much more say in deciding where and how the money should be spent.**

The funds will, however, become increasingly important as governments cut back on the grants that they give for regional development. Eighty per cent of the regional development fund has been earmarked for the less developed regions - this compares with 70 per cent in the past. Taking the three funds together, these regions have received only about 58 per cent.

Special funds for the Mediterranean areas and for Portugal have also been set up to ease their adjustment towards the completion of the internal market. But the Greeks and Portuguese, in particular, will be paying close attention to see that the promised bias in the structural funds towards their countries will in fact materialise.

At the same time, the countries with regions which have suffered steep declines in industrial employment - notably the UK, France, Belgium and now West Germany – are bidding hard to make sure that they get a slice of the funds destined for rich areas. In addition, the UK wants help for its inner cities.

Mr Jacques Delors, Commission president, perhaps as surprised as anybody that he secured agreement to the doubling of the funds by 1993, wants Brussels to have much more say in deciding where and how the money should be spent. It also wants the money to be set aside for speeding up development in rural areas hit by changes in the common agricultural policy.

Everybody, including ministers, has agreed that the effectiveness of the funds has been hampered by the fact that there has been too little money, too many projects and too little co-ordination between the funds with other sources of finance such as loans from the European Investment Bank.

The regional development fund has been divided up into national quotas and the money has been seen mainly as a means of reimbursing the national exchequers of the main beneficiaries. Individual amounts paid out by the social fund were small and scattered. In all, some 18,000 projects received money from the three funds last year.

Mr Delors' idea is that governments submit the plans for their regions to Brussels so that European and national aid can be worked out on a complementary basis. The money, spread over several years, would go on programmes of development rather than the Commission simply substituting, say, 20 per cent of the cost to the national government of building a bridge or a bypass.

Mr Delors also wants the money from the funds to be used more to encourage local initiatives – regional and local authorities in the Community are increasingly learning the benefits of approaching Brussels directly, a tactic long practised by British local authorities.

Brussels wants the freedom to act quickly in response to the closure of a big plant, for instance, without waiting for the request to come through the relevant government.

This means that governments must accept the Commission's right to have a European regional policy, and act accordingly, as opposed to a collection of national policies and projects on which Brussels pays out at the stage when all the decisions have already been taken.

History suggests that the Commission will have to fight a hard battle. As one diplomat involved in negotiating the framework to be decided this month commented recently: "Everything will be changed so that everything will be the same, except that there will be more money."

# Bundesbank defends strong D-Mark

BY ANDREW FISHER IN FRANKFURT

WEST Germany wants its currency to stay strong against the dollar and European currencies, because the rising D-Mark stimulates domestic consumption, according to Mr Karl Otto Pöhl, the Bundesbank President.

"West Germany's rising internal demand wil remain the main engine for future growth," he said yesterday in a speech to the Chicago Council on Foreign Relations.

His remarks come a few days after the Bundesbank revealed that it had sold at least $2bn in the foreign exchange markets at the end of last month, thus shedding some of the dollars previously bought to prop up the US currency.

Mr Pöhl said domestic demand had held up well in West Germany, despite a falling and ageing population. "It continues to expand at an encouraging pace, enough to suck in imports at a high rate but also replacing foreign demand for domestically produced goods," he said.

West Germany needed the highest possible growth not just for external reasons, but also because unemployment was too high. The higher D-Mark had helped boost real incomes through lower oil and commodity prices.

"So, on balance, my country has benefitted from the appreciation of the D-Mark. Therefore, I say that quite bluntly, we have neither an interest nor any reason to see our currency depreciating against the dollar or European currencies."

# Employees want right to consultation in takeovers

BY WILLIAM DAWKINS

THE EUROPEAN Trade Union Confederation is today expected to renew its call for EC legislation to give workers the right to be consulted in contested takeovers.

A meeting of senior ETUC officials in Geneva today will attempt to hammer out confederation priorities for the next three years, including how to secure recognition for workers' interests in bid battles.

The confederation has asked the European Commission to insert rules on staff information and consultation in a draft directive on the conduct of cross-border takeovers, expected to be published by the Brussels authorities later in the year.

It is also demanding that workers' existing rights will continue to be respected after a contested takeover by a companyfrom another member state, said a union spokesman.

Mr Jacques Delors, the Commission president, is backing separate laws that would encourage, though not oblige, cross-border mergers to increase workers' involvement.

# UK Labour group's stand

BY JOHN LLOYD IN LONDON

THE LEADERSHIP of the British Labour Group (BLG) of members of the European Parliament could revert to a strong anti EC position in elections to be held early next week. The switch would be an embarrassing blow for Mr Neil Kinnock, the Labour leader, who has firmly committed Labour to a pro-Commission policy over the last year.

Mr David Martin, MEP for Lothians and the leader of the group, has 15 firm pledges of support from the 32-strong BLG. Dr Barry Seal, MEP for Yorkshire West and his only challenger, has 14 firm pledges. Mr Martin has been in the forefront on moves to change the party position towards an accommodation to the EEC, while Dr Seal remains hostile.

The three uncommitted votes include Mr Richard Balfe (London South Inner) and Mr Stan Newens (London Central), both on the left of the group but neither thought to be committed anti-marketeers.

## Correction

## Norway defence

IN our edition of June 6, it was reported that expenditure on equipment during the 1989-93 defence plan would fall. Expenditure during the previous five year plan was NKr20bn (£1.8bn) and according to the Defence Ministry is expected to rise to about NKr27bn.

# Czechoslovakia's economic troubles mount

BY LESLIE COLITT IN BERLIN

CZECHOSLOVAKIA is facing a worsening economic situation at a time when the Government is experimenting with reforms to restructure the economy and improve economic management.

According to Prague Radio the demand for consumer durables and "everyday products" is not being met. The Government, therefore, has ordered a 2 per cent increase in products in short supply and set aside scarce hard currency to import consumer goods from the West.

Midway through the five-year plan, Czechoslovakia's economic performance remained "unfavourable", the radio reported. The economy was characterised by low efficiency, a poor industrial structure, imbalanced supply and demand and a continuing growth in unsold industrial stocks.

The overall "insolvency" (losses) of Czechoslovak companies at the end of the first quarter of the year was reported to have totalled Koruna 45bn (£4.8bn), twice last year's figure. Among the 30 industrial companies with the greatest losses were the two largest Czechoslovak engineering concerns, Skoda Pizen and CKD Prague.

The Czechoslovak State Bank has warned companies which continued to accumulate unsold stocks that their wage funds will be reduced. Bank officials are to discuss introducing consolidation programmes in companies with several years of management problems.

Since the start of the year 47 companies producing 19 per cent of Czechoslovakia's industrial output were included in an experiment giving them greater independence to decide on production and making them self-financing. By 1991 all state companies are to be included in the reform, while the role of central planning is to be reduced.

The Government has said that by the end of this year the number of employees in federal offices will be cut by 30 per cent from the present 21,000.

Compounding Czechoslovakia's problems, a serious drought has taken took a heavy toll of agriculture.

Czechoslovakia has Eastern Europe's lowest per capita hard currency debt but this has been at the cost of operating plant and equipment 30 per cent longer than in Western industrial countries.

# Trial of Turkish Communists adjourned

By Jim Bodgener in Ankara

THE TRIAL of two Turkish Communist leaders, due to have got under way yesterday, was adjourned until June 17 in a surprise move by the Ankara state security court.

Hundreds of sympathizers, foreign parliamentarians and human rights activists had gathered at the courthouse for a trial which is being seen an important test case for human rights, and possibly the strongest challenge yet to Turkey's 65-years old legislation proscribing communism.

Mr Haydar Kutlu and Mr Nihat Sargin, leaders respectively of the Turkish Communist and Turkish Workers' parties, were arrested last November when returning from self-imposed exile to merge their two parties prior to the general elections at the end of the month.

They have been charged under Laws 141 and 142 of the penal code with attempting to create a Marxist-Leninist order and foment class struggle. The state prosecutor has asked for jail sentences of 66 1/2 years each, although in theory, the charges could carry the death sentence.

# W Germany prepares its defences against English soccer horde

BY DAVID GOODHART IN BONN

THE ELITE of Western Europe looks, thinks and feels like an increasingly homogeneous group. But the national and tribal emotions which have riven the continent for centuries are not entirely extinguished, as West Germany, host to the European Football Championships, will bear witness over the next three weeks.

With perhaps 100,000 partisan young fans from the eight competing countries milling around the eight cities where matches are being played, ugly scenes are inevitable.

The preparation of the West German police has been characteristically thorough – in Stuttgart they have been planning for two years – and a blunder on the scale of that managed by the Belgian police at Heysel three years ago is hard to imagine.

But outside the stadiums, in the city centre bars and red light districts, the police cannot prevent plenty of glass splintering.

The English, with a meagre 8,000 – including, in spite of the stringent sieving process, about 500 hard-core hooligans – are not just the most feared but also probably the most vulnerable. The horrified attention they have attracted recently will ensure brisk treatment for even the best behaved English fans.

They are, for example, banned from some of the make-shift camp sites. And the constant characterisation of the English as dangerous sub-humans will encourage pre-emptive attacks by other groups of fans, notably the Germans and Dutch (who also have a reputation for violence and will be 22,000-strong).

Perhaps the English deserve it. Certainly the hard-core, some of whom have reportedly been lying low on the continent since last month's "friendly" against the Swiss, will be trying desperately to outwit the police to justify their reputation as the toughest and willest of European hooligans.

And these people are not, generally, dim-witted lumpen-proletarians as some West German sociologists, wheeled out over the past few weeks, have implied. The "hard men" are often a lot older than the teenage hooligan image suggests and hold-down well-paid, even middle-class, jobs.

They are attracted to the simplicities of the cult of violence (with racist politics often thrown in) and the sheer thrill of belonging to the most reviled group in the land.

Many of them also have a military background – some will no doubt be meeting up with old pals among the 1,000 fans expected from the British Army of the Rhine – which makes the game against Ireland this Sunday a possible trouble-spot, although the England-Netherlands game next Wednesday is the real worry.

The West German press, and public opinion, has actually been far more sanguine about the arrival of the English fans than supposedly informed opinion in the UK.

Veteran football writer Brian Glanville is predicting deaths in Düsseldorf at the game against the Netherlands, and the arrest of the whole Bristol Rovers youth team in Mannheim last month – after an evening in a disco – was more heavily reported in the British media than the West German.

Faith in the efficiency of the West German police, which will supposedly match the fans man for man at key matches, has something to do with the more relaxed atmosphere here.

Also, protected from the excesses of the British press, the burghers of Düsseldorf's old city only have their recollections of the last English visit to go on. And on that occasion, in spite of some boisterous behaviour and a few arrests, there was no serious trouble.

The characteristic tone of the German coverage, in the Frankfurter Rundschau for example, has been sadness that England "which once gave this great game to the world . . .etc" can now only offer the leading hooligans.

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# US study warns of race for control of space

BY LIONEL BARBER IN WASHINGTON

IF THE US deploys the Strategic Defence Initiative anti-missile system, the Soviet Union would be forced to respond. This would lead to a race between the superpowers for control of outer space, a US Congressional report said.

The Office of Technology Assessment (OTA), concluding a two-year study of President Ronald Reagan's SDI, said it was by no means clear that the US would emerge the winner from such a struggle.

The Soviet Union is developing its own anti-missile defence system, but recent US assessments of a stagnant Soviet economy suggest that the cost of keeping pace with the American effort would be considerable.

The OTA report says Moscow would probably focus on how to destroy the US system, rather than seek to duplicate it. This would create a new generation of weapons aimed to knock out the space-based weapons and sensors which would make up the SDI.

The study said that, despite five years and $12 bn of scientific research, many questinns remained about SDI's ultimate goal of providing a full-proof defence against a ballistic attack.

There was a "significant probability of catastrophic failure" the first time SDI was used in a real war because of defects in the computer software needed to operate the space weapons and sensors, the OTA report said.

Despite the pessimistic tone of its report, the study did not make any firm recommendatinns. It also said that the type of first-phase system envisaged by the Reagan Administration could be ready within the next 15 years.

# Hopes remain for signing of Nicaragua peace treaty

BY J.D. GANNON IN MANAGUA

AS THE SANDINISTAS and Contras entered the second day of talks yesterday their spokesmen were keeping alive prospects for some sort of accord being signed late today.

Mr Mannel Espinoza, Sandinista Minister of Information, said that "substantive advances" had been made in negotiations on what political changes the Contras are demanding as a quid pro quo for laying down their arms.

Mr Bosco Matamoros, a Contra spokesman, back-pedalled on that assessment preferring instead to say there had been "a deepening of the issues" between the two belligerents.

Mr Matamoros said it was "far fetched to state that the Contra were ready to sign an accord", with two days of talks to go.

But both spokesmen confirmed that negotiations had moved off subject of political change, and on to other less crucial issues, such as the modus operandi of the ceasefire zones into which the Contra will withdraw, once an accord is signed, as a prelude to surrendering their arms.

The impression left was that the outstanding nbstacles to agreement on the venue for discussion, and timing of, political change had been mostly resolved. This is important, as observers here agree that the remaining points of the armistice proposal are mostly less problematic technicalities.

This does not, however, mean an armistice is certain. While the Contras arrived Tuesday declaring this fourth meeting to be "definitely the last," seven years of war might not end quickly.

# Santiago reacts angrily to US criticism of regime

MARY HELEN SPOONER IN SANTIAGO

CHILEAN AUTHORITIES have reacted angrily to a US State Department declaration criticising the decision by General Augusto Pinochet's military regime to renew the state of emergency on May 31.

The State Department had said that the Reagan Administration was "concerned and deeply disappointed" by the move, and urged that civil liberties be fully restored, especially in view of the presidential plebiscite scheduled later this year.

The state of emergency, which was renewed for another 90 days, gives the Pinnchet regime broader powers to deal with internal security matters and to restrict freedom of expression and assembly.

# Chilean trade surplus shows sharp improvement

By Mary Helen Spooner in Santiago

CHILE's trade surplus jumped to $947m during the first four months nf this year, a figure equivalent to 77 per cent of its $1,229.4m trade surplus for the whole of 1987.

The central bank reported exports worth $2,370.1m and imports worth $1,422.6m. Copper exports, which account for over one-third of Chile's export earnings, increased by 76 per cent, although the volume of Chilean copper exported decreased by 2.9 per cent.

Non-copper exports, including other minerals, fishmeal, agricultural and industrial prodncts, reported a 30.7 per cent jump during the first four months of this year.

Economy Minister Manuel Concha said anthnrities were not considering a revaluation of the Chilean peso, currently set at 246 to the dollar.

Rumours of such a move began circulating earlier this week as Chile's legal parallel market rate for the peso, which had been running at more than 20 per cent above the official rate, began moving downwards.

# Phantom of the TV takes lead

By Jurek Martin in Los Angeles

LIFE IMITATES art, right? Or is it the other way around? Whichever is reality, if such exists, is it always possible to tell the difference?

The latest twist in the age-old conundrum suggests not. A political "poll" on presidential aspirants was released in Los Angeles on Monday night. It covered upwards of 40,000 people – statistically, if not scientifically, a very significant number – and produced the following results.

Mr George Bush got 22 per cent, Rev Jesse Jackson 21 per cent and Mr Michael Dukakis 19 per cent. All three were left wallowing in the wake of Jack Tanner, far ahead with 38 per cent – not bad for a figment of the *imagination*.

Tanner certainly looks like a presidential candidate. He is definitely handsome, in the John Kennedy-Gary Hart mould and, with an unerring knack for platitude, he talks like one, too. He has been seen on the campaign trail half-a-dozen times this year, sometimes conversing with his three remaining "rivals", as well as with those who have since left the race. One of them, Mr Bruce Babbitt, has even given him advice.

However, Tanner is the actor Michael Murphy and the wnrds that come out of his mouth and the situations he finds himself in are the products of the fertile minds of Garry Trudeau, the cartoonist and satirist who prodnces the Dooneshury comic strip, and Robert Altman, the film director.

His adventures have taken him from New Hampshire, where he "finished fourth", through *Super Tuesday (a good third) to* California. He is, of course, a Democrat. Mr Trudeau has inside knowledge of his party.

The half-hour episodes are being shown on HBO, the cable TV netwnrk *nnrmally devoted to* films. A compilation of the first three appeared recently on UK commercial television.

There is a beguiling air of reality to the programme. The instalment on Monday was mostly devoted to a Los Angeles celebrity fund-raiser, but it also contained a fine passage in which a Tanner staff member was persuaded not to reveal that the divorced candidate was having an affair with a leading light on the Dukakis campaign.

Best of all, though, is its depiction of how campaigns work and how candidates are, to use the vernacular, "imaged." One told him he can release inhibitions and be more forceful by pressing a tension knot in his stomach.

Sad to tell, because the script is exquisite and Michael Murphy's performance apt to the nth degree, the programme is not drawing too well. One theory is that it is so close to life that people turn on their TVs, think they are watching a real campaign, and tune out.

Still, Tanner is a Democrat and, if you put his votes with those of Rev Jackson and Mr Dukakis, then Mr Bush's 22 per cent does not look too good. But neither does Mr Dukakis's 19 per cent – unless, in the end, he gets the endorsement of Jack Tanner.

A special correspondent explores how Chileans, Chinese and Soviet scientists coexist

# Cold War thaws in Antarctic outposts

ANTARCTICA, the iciest and least known continent, is gradually unveiling its mysteries. The region was virtually unexplored until the early part of this century, when Ernest Shackleton, Roald Amundsen and Robert Falcon Scott each tried to reach the South Pole; Amundsen was the first on 14 December, 1911.

The spectre of the unknown continues to inspire scientists and adventurers to challenge the frozen south, following the trail blazed by these early explorers.

There are still reminders of the treacherous early years of discovery, termed the "heroic age" of Antarctic exploration. At almost every research station in the region, a cross has been erected to mark the travails of a fallen countryman. The antarctic, now home to about 1,000 people in winter and triple that number in summer, is not taken lightly by those familiar with the capricious and severe nature of the environment.

The most densely populated area of the Antarctic is still King George Island in the South Shetland group. All of the research stations are similar collections of bright-coloured container buildings, scattered over the rocky terrain and connected by sagging electrical wires.

One relative newcomer to the island is the People's Republic of China. The People's Republic established Great Wall Station in 1985. Dr Qin Dahe, officer in charge, first came to the Antarctic with the Australian Antarctic Reasearch Expedition to study glacier formation. Dr Dahe now leads the contingent of 16 scientists who study a range of meteorological and seismic phenomena.

Great Wall is located on Maxwell Bay, and is part of a shore-lining group that includes the Chileans, the Soviets, the East Germans and the Uruguayans. The sense of community in both survival and recreation is strong. Each year there is a football championship, played on one of the three small, shoreline football "fields," which the Chileans have won for the past few years.

The Chilean Station, Teniente Marsh, is the largest and most controversial in the area. It is the lifeline for mail, with regular flights during the summer months from Punta Arenas, located about 950 kilometres to the north on the tip of South America.

Chile claims this region of the Antarctic as its sovereign territory, and maintains a colony of 12 families this year to reaffirm this claim. There are 26 children living at the base, and on a warm day, they ride bikes through the muddy streets to the container building that serves as school.

There is also a hotel, visited by three tour groups this last summer, which accommodates 40 people.

The airstrip is the most advanced in the area, its hard gravelly surface stretching down to the sea over sloping ground.

Most of the bases on King George Island rely upon the post service as the primary means of maintaining contact with family. The Soviets do not use the post service, as there is no official recognition of the Pinochet regime in Chile by Moscow.

Separated from the sprawling Chilean complex by a mere 20 metres, the Soviet Bellingshausen Station celebrated its 20th anniversary on the 24th of February. Dr Rurik Galkin, "same name as the first czar" he is quick to add, oversees operations at the base.

There are 26 people working through the winter at Bellingshausen, this number includes the two East German scientists who work in a small lab on the perimeter of the station. Dr Galkin is an old hand in the polar regions, including time spent with the US at the Amundsen-Scott South Pole Station in 1978.

The beauty and vastness of the Antarctic has an incredible draw; scientists are eager to work in the area and co-operative programmes are rarely affected by international tensions.

The Soviets, although not officially recognising the Chilean presence, still assist each other with vehicle maintenance and similar tasks. According to Dr Galkin, "There is good cooperation between all the bases on the island, we help one another in all questions." The common bond is the challenge and love of the unique environment.

On the other side of the island lies Admiralty Bay, site of the Polish Henryk Arktowski and Brazilian Commandante Ferraz Stations. The congestion of Maxwell Bay seems far away; across the clear, silvery water rise high, snow-covered hills. The Polish station is named for the Polish meteorologist who in 1867 was among the first to spend a winter in the Antarctic.

Arktowski is surrounded by several sites of special scientific interest, a designation obtained to preserve the natural environment for study.

One of the two native vascular plants, *deschampsia antarctica*, grows here in abundance. Large clumps of the bright green grass are a striking contrast in the monochrome surroundings.

Gentoo penguin nests cover a nearby hill, but the small piles of rocks and guano could not be a comfortable perch during the 36-day incubation period. A team of American scientists, from the US Palmer Station located south of King George, regularly comes to the area to study penguin populations.

Meteorological studies dominate research on King George Island. There is at least one meteorologist at every station, and the collected data is transferred to the World Meteorological Center based in Bracknell in the UK.

It seems odd, conducting such similar research with monitoring devices often only metres apart. But the consensus of the scientists at work in the area is that the more data, the better; even if the results collected are identical.

There are efforts to stop this community from expanding. Untreated sewage is dumped into the bays, potentially causing a decrease in the oxygen level and the subsequent death of plant and animal life. When South Korea arrived in November to search for a building site, they recieved stiff opposition to locating in a heavily populated area. The result was the establishment of the King Sejong Station seven miles east of Maxwell Bay.

Experts worry that all of this activity spells trouble for the Antarctic. There is a paradox: although an extremely harsh environment, the Antarctic is also fragile.

Stephen Fidler on the latest twists in Latin America's debt crisis

# Double test for bankers

THE CONVENTIONAL approach towards the Third World debt crisis is about to face arguably its most severe test.

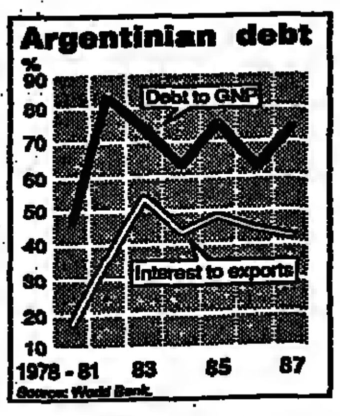
The test is two-pronged: the largest debt rescheduling package ever, for Brazil, must be sold to more than 700 banks. And a solution must be found to Argentina's patent inability to meet its foreign debt repayments.

The one obstacle to an outline agreement between Brazil and its leading creditor banks – the question of whether certain Brazilian assets abroad should be seizable in the event of a debt default – could be resolved at any time. The hard part comes in selling the deal, which includes new money of $5.2bn and a 20-year rescheduling of $62bn of existing debt, to all its commercial bank creditors.

But no sooner do the negotiations between Brazil and its leading banks conclude than Argentina starts talking to its bank steering committee.

President Raul Alfonsin, whose country has fallen behind on interest payments to banks, has heightened the temperature of the talks with a call for a more radical approach to reducing his country's debt burden. He has urged a reduction of the interest rate to 4 per cent annually for three years.

There is clearly an element of domestic politics to the call from Mr Alfonsin, who has hitherto resisted pressure for a moratorium on debt repayments. In the run-up to the Argentine presidential elections next June, Mr Antonio Cafiero, a leading Peronist presidential contender, is talking of a moratorium.




On Tuesday, a proposal for a moratorium was agreed by a broad alliance of opposition forces – sanctifying debt payments as a key issue in the elections.

But bankers are not just viewing it as being for domestic consumption, and many argue that Mr Alfonsin's call suggests that the banks should be as flexible as possible in addressing Argentina's needs. The country simply cannot meet its debt obligations this year, and most expect a new loan of $2bn will be needed.

Such a solution was "not going to be impossible, but it'll be very, very difficult," Mr John Reed, chairman of Citicorp said this week.

Many bankers now assume Argentina will be the first beneficiary of an important new option for a rescheduling package – the capitalisation of interest. Instead of making new loans, many banks – particularly those in continental Europe which have already made big provisions in case of loan losses – want the choice of being able to stack up unpaid interest as capital.

One of the advantages of interest capitalisation to banks is that it ensures a proportional sharing of the burdens among creditors according to current interest due, rather than the historical exposure which is the basis for new money packages.

"Its potential drawbacks inclnde the possibility that it could become unilateral rather than negotiated, it is not necessarily subject to the same policy discipline as concerted new lending, and it may not be recognisable as current income by many banks, particularly US banks," a report produced in March for the executive committee of the World Bank notes.

US banks led the group that succeeded in opposing interest capitalisation as an option in the Brazilian package largely because of worries about what they could count towards income. Nevertheless, an option that provides for banks to receive part of their interest from Argentina – say 4 per cent – and to capitalise the rest could offer a solution

Argentina, whose economic performance has been the most disappointing of the large debtors in Latin America, undoubtedly represents a severe

# Gandhi warns of danger if Kabul falls to radicals

BY DAVID GOODHART IN BONN

MR RAJIV GANDHI, India's Prime Minister, yesterday accused Pakistan of being the largest supporter of terrorism in the world and warned of the dangers of a fanatical Islamic takeover in Afghanistan.

His comments, which came at a press conference at the end of a three day tour of West Germany, are bound to strain further the already poor relations between India and Pakistan.

Mr Gandhi claimed that in the four years since he came to power India had presented Pakistan with more than 20 proposals for improving relations which had received little response. "Pakistan has demonstrated two things very clearly – its intentions with its nuclear weapons programme and its support for terrorism. Pakistan is today perhaps the largest supporter of terrorism in the world," he said.

India has long believed that Pakistan supports and trains militant Sikhs just over the Punjab border, it is now also accusing the Pakistan Government of not adhering to the Geneva accord on the future of Afghanistan by allowing Afghan rebel activities on its territory and the transfer of rebel weapons into Afghanistan.

Mr Gandhi warned that the real danger in Afghanistan is a "fanatical and fundamentalist" government.

Such a government would be "the worst possible situation for our region. It would have far-reaching repercussions in other parts of the world."

Pakistan supports the Mujahideen, all of whose factions are seeking an Islamic state.

The Indian Prime Minister also stressed again that India's non-nuclear policy was conditional upon the behaviour of Pakistan. "If Pakistan does have nuclear weapons and we feel it threatens us than we must look at our options again," he said. But he added: "We have demonstrated our will not to make nuclear weapons, although we have had the capacity for some time. We are very clear that we do not want to go down that road."

Mr Gandhi is leaving West Germany with the promise of DM660m ($386m) towards the modernisation of the major steel complex at Rourkela. Half will come from the Government and half in credits from the Kreditanstalt für Wiederaufbau Bank.

● THE SRI LANKAN Government has dispatched at least 20,000 soldiers and police to the country's southern province to maintain order during district council elections this week, police said yesterday, AP reports from Colombo.

# Land reform bill presents Manila a tough challenge

BY RICHARD GOURLAY IN MANILA

THE APPROVAL of a land reform bill by both houses of the Philippine Congress yesterday is seen by many as presenting the best opportunity yet to undermine the 19-year-old communist insurgency. . . if it can be implemented.

The bill has glaring holes, mostly concerned with how it will be funded, and requires a degree of political will the country's bureaucrats have never displayed in previous land reform attempts. But the bill's supporters are confident it will change the lives of millions of Filipinos.

"It is the democratisation of the means of production," said Senator Heherson Alvarez, the bill's chief sponsor. "For once, we will be sending the message to the countryside and the (communist-led) rebels that this Government is prepared to make massive social changes." The bill focuses first on the transfer of government-held lands and the bulk of larger estates.

It aims to transfer more than 5m hectares to more than 2m farm workers and tenants over the next decade. Within four years 20 per cent of the 1.8m hectares of privately held land should have been transferred, leaving their owners with a maximum of 50 hectares. After ten years all land owners will hold a maximum of five hectares plus three hectares for each of their children who tills the land.

With an eye to maintaining land productivity, the bill allows the retention of large estates, such as the 6,000-hectare sugar estate owned by President Corazon Aquino's family, but under co-operative ownership. During the transition phase tenants will receive a share of profits of corporate farms.

Mrs Aquino yesterday welcomed the bill and called for its early implementation. She is expected to sign it before travelling to Geneva next week for an International Labour Organisation meeting. Last week she made clear to the large landowner block in the House of Representatives that she wanted to sign the bill before she left in order to convince increasingly sceptical aid donors that she supports the policy.

The so-called "pro-peasant" lobby was not so enthusiastic. The bill's original sponsor in the House voted against it saying the bill had been distorted beyond recognition and that MPs were "foisting a grand deception" on the people. Peasant leaders were caught off balance by the speed with which the landlord block in the House reversed its opposition and voted 182 to 20 in favour of the bill.

They criticised provisions allowing the landlord to decide which land he can retain and the method of land valuation based on current market value. The beneficiaries will have 30 years to pay for the land. They also said that the land allowance for landowners' children will mean that three quarters of private land will slip through the net of land reform, a figure that Sen Alvarez contends is no more than 10 per cent.

On the face of it, multinational corporations, most of which lease land for bananas, pineapple, cacao, and rubber plantations, appear to be little affected. Over the ten-year period, ownership of leased land will transfer to the workers – who will in the meantime have a share of profits. Foreign companies will then lease directly from the workers' co-operatives, analysts said.

Some intransigent landlords have already promised to take up arms against what they say is land confiscation. But the main headache for the Government is finding finance for the programme. Landlord compensation, provision of farm credit and seed capital and building of infrastructure will cost more than $8bn. Nearly 40 per cent of this is compensation for landlords, which foreign aid donors have refused to finance.

The Government hopes to finance the programme with money recovered by the Presidential Commission on Good Government, which is tracking assets allegedly stolen by deposed President Ferdinand Marcos, and from the privatisation of government-held companies.

# India tries to clear area around Sikh temple

By John Elliott in New Delhi

INDIAN government plans to start clearing an area up to 300 metre wide around the Golden Temple in Amritsar – used as an armed fortress twice in the last four years by extremist Sikhs – ran into problems yesterday when bazaar stall holders staged protests, including Sikh prayer meetings, to block demolition work.

Last month army commandos cleared the temple complex of extremists in a ten-day siege. This led to an increase in violence elsewhere in the Punjab where over 1,300 people have already been killed this year. The temple action has also brought about a political impasse among Sikh leaders which has blocked government moves on the overall Punjab crisis.

The Government is enthusiastically calling the proposed clearing of the area round the temple a "beautification" programme. It involves demolishing hundreds of bazaar shops and stalls, located in a network of narrow lanes twisting round the temple perimeter, which sell food, religious momentos, clothes and other goods.

These lanes and buildings were used by extremists before an army attack in 1984 and again in the past year to turn the temple into a heavily armed fortress. The Government wants initially to move 10,000 people and clear a 30 metre corridor around the temple, and later to widen this in three stages by next June to a 300-metre wide landscaped open area. An underground bazaar is included in the plans which are estimated to cost Rs1.1bn (£45m).

Yesterday's protests appeared mainly to involve arguments about compensation and alternative accommodation.

The political impasse has stemmed from the Sikhs' main lay organisation, the Shiromani Gurdwara Parbandhak Ccommittee, dismissing the religion's five head priests. The five include Mr Jasbir Singh Rode, who was trying to organise a peace deal for the Government with militants prepared to give up demands for an independent Sikh country called Khalistan.

# South Africa "stayaway" ends after three days

BY ANTHONY ROBINSON IN JOHANNESBURG

SOUTH AFRICA'S longest mass work "stayaway" drew to an end last night with signs that Cosatu, the country's biggest trade union federation, was shifting towards a less confrontational approach with employers.

This emerged from a Cosatu letter to the employers organisation Saccola noting that "it appears we share certain beliefs" and proposing the creation of a special panel.

This, Cosatu suggested, should be chaired by a judge who would examine proposed changes to the labour relations act which it claims curb union rights.The union also asked Mr Pietie Du Plessis, the Minister of Manpower, to submit the amended bill to the International Labour Organisation (ILO) for its judgment.

The stayaway, which was as much a political protest against government gags on 17 anti-apartheid opposition groups, including the United Democratic Front (UDF), as against the new labour laws, demonstrated the continuing ability of the unions and community organisations to mobilise, or intimidate, between 1.5m and 2.5 m black workers in support of their demands, despite the state of emergency.

# S Korean opposition asks for delay to border march

BY MAGGIE FORD IN SEOUL

SOUTH KOREA'S three main opposition leaders yesterday called for the postponement of a student plan to march to the North Korean border tomorrow for a meeting with their counterparts from the Communist half of the country.

The proposed meeting, to be attended by 13 student leaders, has sparked strong criticism from the Government of President Roh Tae Woo, which has reportedly stationed 50,000 riot police near the border to turn the students away.

North Korea has said it also planned to send a delegation of 13 students to the border. Friday marks the anniversary of street demonstrations in the South last year calling for an end to dictatorship and the reunification of the divided country.

Since the opposition parties won a combined majority in the National Assembly, which also holds its opening session tomorrow, students have focused attention on the reunification issue. Demonstrations have taken an increasingly anti-American tone.

US officials turned away a group of students who arrived at the main US military base in Seoul last weekend to ask permission to hold the border meeting. Many of the 40,000 US troops in South Korea are stationed in the border zone, but the officials said any meeting between North and South was a matter for the Seoul authorities.

Victor Mallet reports on a sharp change of tactics in Addis Ababa's war with the north

# Mengistu develops a thirst for battle

THE RESPONSE of Ethiopians to the urgent call of the motherland is, if we are to believe the government newspaper, nothing less than "spontaneous and supremely and genuinely patriotic."

One soldier was said to have left home eagerly for the war front the day after his wedding, while an Addis Ababa abattoir worker abandoned his father's funeral "to join other comrades" (he was eloquently quoted as saying) "in the decisive confrontation with the agents of wanton destruction."

All this has come as something of a surprise to the inhabitants of the Ethiopian capital, not only because their thirst for battle has been exaggerated transparently, but also because a few weeks ago the war hardly existed at all as a subject for public discussion. There were just a few bandits in the north.

The mood changed sharply at the end of March when President Mengistu Haile Mariam told the nation that the Revolutionary Army was engaged in a life and death struggle against separatist guerrillas in Eritrea and rebels in Tigre.

"Everything to the war front" became the new slogan. The rebels had to be crushed and every citizen would be involved. Each worker now pays a twelfth of his wages in war levies and businesses are taxed according to their turnover.

In May Mr Mengistu declared a state of emergency in the north, appointed hardliners as supreme administrators in Eritrea and Tigre and established a no-man's land along Eritrea's coast and its border with Sudan.

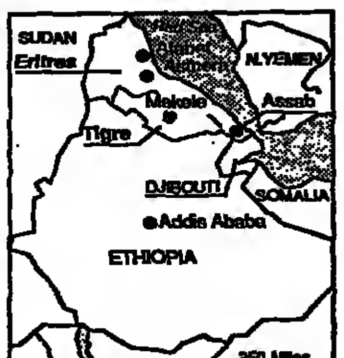
One does not have to look far to find reasons for Mr Mengistu's sudden emphasis on the war. Since February the Ethiopian military, sub-Saharan Africa's largest standing army, has suffered a series of humiliating defeats at the hands of the Eritrean People's Liberation Front and the Tigre People's Liberation Front.

The Eritrean separatists, who have been fighting since 1961 routed the army at Afabet in March and are more active than at any time in the past 10 years. Most of the north is out of government control.

Everyone has been affected. Up to 2m northerners, many of them cut off from food aid by the fighting, again face the prospect of famine. Young conscripts from the south are hauled off to the front.

Mr Mengistu himself has made peace hurriedly with Somalia to release thousands of his troops for the north. He is also making overtures to Sudan, which allows the TPLF and the EPLF to operate from its territory and suffers in turn from Ethiopian support for the Sudan People's Liberation Army.

Senior Soviet diplomats, including Mr Anatoly Adamishin and Mr Karen Brutents, have paid visits to Mr Mengistu and apparently promised immediate




military support while insisting on a negotiated peace settlement in the longer term. Scheduled Soviet arms shipments were brought forward to cope with the crisis, but the talks with the Soviets were not publicised in the official Ethiopian media.

For foreign donors to Ethiopia the most pressing concern is the fate of the hungry. Plenty of emergency food aid, about 1.3m tonnes, has been pledged and will keep Ethiopia going well into next year. Logistics are already a headache and one food ship had to wait 38 days to unload at the congested port of Assab.

More serious is the impact of the recent fighting on distribution inland and the Government's refusal to allow aid into areas outside its control. In April the authorities ordered most expatriate relief workers out of the north, souring relations with donors who want to monitor food handouts and ensure they are not diverted to the military.

"In November we were all rather optimistic," says Mr David Morton of the World Food Programme in Addis Ababa. "Donors had responded generously and the distributions, especially in Eritrea and Tigre, started early. Then things started taking a turn for the worse."

A few of the donors are convinced that Mr Mengistu, known for his ruthlessness, is deliberately trying to starve out the rural supporters of the EPLF and the TPLF in the absence of foreign observers. Others believe that he has simply given the war priority over everything, including famine relief.

Whatever the interpretation, the figures speak for themselves. Between 2m and 3m people are at risk in the north after a poor harvest. Not more than 1m are being fed from the government side and probably a few hundred thousand are being supplied with food trucked into rebel areas from Sudan. "There must be large numbers of people by any calculation that are not being reached," says Mr Morton.

So far there has been no mass migration of hungry peasants seeking food, but if the donors have got their sums right, people have probably survived on dwindling stocks and could start moving any day. Already the Government is making contingency plans to shelter an extra 150,000 people in Mekelle, the capital of Tigre and the only major town in the province not overrun by the rebels.

Outwardly Mr Mengistu remains confident. Western diplomats say he has successfully exploited a vein of nationalism and anti-Eritrean sentiment among the Amhara peasantry of central Ethiopia. No Ethiopian government, regardless of ideology, is likely to give up its coastline to an independent Eritrea.

At the same time no Ethiopian government is likely to win the war on the battlefield. Army morale is at a low ebb and Mr Mengistu seems to be partially to blame. Shortly before the Afabet debacle in March he purged the Afabet command, ordering the execution of a general and demoralising the officer corps.

Squeezed by the Soviets, attacked by rebels, criticised by western donors and shackled by an economy run on Stalinist lines – the autocratic Mr Mengistu is under considerable pressure. He is not likely to have forgotten that the overthrow in 1974 of his predecessor, the Emperor Haile Selassie, was hastened by one of Ethiopia's notorious famines.

# Bank of Japan calls for maintained growth rate

BY CARLA RAPOPORT IN TOKYO

JAPAN'S accelerated rate of economic expansion must not be allowed to slow down, according to the Bank of Japan.

In its annual review of monetary and economic developments, the BoJ states: "There is a good possibility that the present expansionary phase of the economy will continue for some time; it is the responsibility of Japan as a nation with a large external surplus to ensure that it does."

Japan's economy is currently growing faster than at any time in the past ten years, thanks to strong consumer spending, heavy capital investment, benefits of the stronger yen, and strong fiscal stimulation. In the first half of this year, analysts expect the real GNP growth rate to be at least 5 per cent on an annualised basis.

Japan's policy of economic stimulation, which is aimed at restructuring the Japanese economy toward demand-led domestic expansion, "must be sustained over the long term in order to secure the changes which are now under way," according to the BoJ's report.

Three factors, however, are vital to maintaining Japan's economic growth. These are the continued lack of price inflation, stable exchange rates and stability in the world financial markets. The BoJ said it is relatively optimistic about the prospects for all three.

The BoJ noted that Japan must work harder at opening its domestic markets further so that cheaper imports will help keep inflation at bay.

# Tokyo rejects aid-defence link

BY IAN RODGER IN TOKYO

JAPANESE Foreign Ministry officials have sharply criticised Mr Frank Carlucci, the US Defence Secretary, for suggesting that distribution of Japan's foreign aid should be influenced by Western alliance strategic considerations.

Officials said yesterday that it would become politically difficult to maintain aid budgets if the Japanese people believed the funds were being spent with strategic considerations in mind.

Under the Japanese postwar constitution, the country renounced the right of belligerency, and the Japanese people remain very sensitive about security alliances or any overseas strategic activity.

On Monday, Mr Carlucci, visiting Tokyo following the Moscow summit, said in a speech at the Japan National Press Club that Japan should expand its economic development aid to countries "whose political and economic health is vital to our collective security".

He cited the Philippines, Turkey, Portugal, Pakistan and Afghanistan as countries "in which aid could advance our overall security".

Japanese Foreign Ministry officials are in the midst of delicate internal negotiations with the Finance Ministry aimed at winning agreement on a significant expansion and improvement in the quality of Japan's aid effort. Mr Noboru Takeshita, the Prime Minister, hopes to unveil a new five-year aid growth plan at the Toronto economic summit later this month.

A Foreign Ministry official doubted that the Carlucci speech would affect the negotiations, but he said that if the ministry listed countries that should be favoured for collective security reasons, then the plan would indeed be in trouble.

He was also offended that Mr Carlucci should be advancing the case of the Philippines in particular. Japan had close relations with the Philippines and, if that country wanted fresh help, it could ask directly. There was no need to link this matter with collective security.

Mr Carlucci, when questioned on the link between aid and security following his speech, seemed to retreat slightly from his prepared remarks. He said that the US did not view aid as part of the defence relationship with Japan, except insofar as it contributed to "the economic health of the world and political stability, which is important for the national security of all of us".



JORDAN URGES ARAB SUMMIT NOT TO LIMIT ITS OPTIONS

# Hussein pleads for realism

BY ANDREW GOWERS IN ALGIERS

KING HUSSEIN of Jordan yesterday pleaded with his fellow Arab leaders not to limit his options in seeking to advance the Middle East peace process by making unrealistic damands at their extraordinary summit meeting on the Palestine issue in Algiers.

In a long and anguished speech to the summit, the Jordanian monarch sought to fend off accusations that he has tried to bypass the Palestine Liberation Organisation and that he has territorial designs of his own on the Israeli occupied West Bank.

He also harshly criticised Washington's Middle East policy and asked the wealthy Arab states to boost financial aid to Jordan and Syria to stave off an impending economic crisis.

King Hussein speaks to Sheikh Zaid of the UAE

Making a strong pitch for realism at a gathering which is showing signs of intoxication with rhetorical statements of support for the six-month Palestinian uprising in the West Bank and Gaza Strip, the King said: "Wa will not help it (tha uprising) attain its objectives by merely singing its praises. Rather, it should be used as a pressure point within unified Arab political action."

King Hussein's speech highlighted tha problems which the uprising has created for moderate Arab states that are keen on maintaining a dialogue with the US to foster negotiations to resolve the Arab-Israel conflict. Jordan is coming under particularly heavy pressure this week from militants who see the uprising as the road to creation of an independent Palestinian state under PLO rule, a goal vehemently opposed by both the US and Israel.

In one of his most outspoken comments about his US ally following the failure of four shuttle missions to the Middle East by Mr George Shultz, the US Secretary of State, he said, "the US has no Middle East policy other than support for Israel. . . the US takes no political steps or initiatives unless there has been a recent eruption in the region taking on the aspect of a war."

But in the face of calls at the summit for an outright rejection of the Shultz plan, he insisted that the initiative was still open for discussion between the US, the Soviet Union and Arab states.

Mr Shultz has proposed an international conference under United Nations auspices as a prelude to direct Arab-Israeli negotiations on interim Palestinian autonomy

King Hussein'a speech amounted in part to an attempt to mend fences with the PLO leadership, with which he has been estranged since the collapse of negotiations to set up a joint Jordanian-Palestinian delegation for peace talks in February, 1986.

The king indicated that he still believed a Jordanian-Palestinian federation to be the most feasible outcome of any international conference but he added: "If my fellow Arab leaders, together with the PLO find it necessary and useful to agree to the establishment of an independent Palestinian state as a precondition to the convening of an international conference. . . even if this does not lead to the convening of the conference, we shall not differ with them."

# Former minister defends Pakistan over Afghan treaty

BY CHRISTINA LAMB IN ISLAMABAD

MR ZAIN NOORANI, former Foreign Minister of Pakistan – widely credited for facilitating the Geneva accord on withdrawal of Soviet troops from Afghanistan – has spokan out against the increasing number of claims that Pakistan is violating the agreement.

"People tend to forget that the Geneva accord includes an undertaking of symmetry by the superpowers. The moment Russia stops supplying arms to Kabul, America and Pakistan will stop supplying the resistance".

Yesterday in their strongest worded statement to date on Afghanistan, the opposition MRD alliance accused President Zia ul-Haq of trying to sabotage the accord by continuing to support the resistance.

Although arms trucks have been seen crossing the border since the agreement came into force on May 15, Mr Noorani claims that up to his dismissal on May 29 Pakistan had stopped supplying the Mujahadeen. "Any arms which have crossed the border must have been the resistance moving supplies over from tribal areas which are not under our control."

He believes that the change in government presents no threat to the agreement: "Zia signed it and will make sure it is implemented."

Speaking out for the first time since the Government's dismissal last week, Mr Noorani suggested that part of the blame may lie with his fellow Cabinet members.

"Certain people in my party believed in voicing opinion which created rifts between the army and the civil administration to the nation's detriment. The army and political parties are the only institutions able to keep Pakistan together and it is essential that both co-operate. It is imperative that Zia remains as chief of army to act as a bridge between the civilian administration and the armed forces."

Mr Noorani stressed that while India remained unfriendly the army must stay at the helm of the country's affairs. "Pakistan is surrounded on at least two borders by hostile countries which have infiltrated our provinces with ageuts who hsve been spreading separatism. The assistance of the army is essential to counteract these elements."

He believes that Gen Zia will keep his promise of holding elections. "1988 is not 1977. People were taken by surprise once. I very much doubt they would accept a repetition." Although expressing confidence of victory for his Moslem Leagua party, Mr Noorani advocates an electoral alliance with the opposition Pakistan Peoples Party. "The Moslem League should ally with all parties who believe in the ideology of Pakistan as one nation."

# Peking students protest for political reforms

BY ROBERT THOMSON IN PEKING

CHINESE students staged a symbolic sit-in for democracy yesterday near Tiananmen Square despite the presence of hundreds of police and tough warnings from the official press which accused protest organisers of devising a "reactionary plot."

About 20 students began a sit-in just outside the square, which was sealed off as the likely target, but police moved in quickly to disperse the swelling group. After much pushing and shoving, police drove vehicles into the mass to clear protesters.

Students had been told by official newspapers that a protest would threaten "unity and stability", and posters approved by Chinese authorities and warning against a demonstration were plastered over protest posters at Peking University urging students to take to the streets.

When police ordered the sitting students to move, one shouted: "We don't even have the right to come here to talk to people." A bold second-year Peking University student later addressed a small gathering, and asked: "Why can't we elect our leaders?". He called for unofficial newspapers and suggested that a human rights journal be opened.

After a series of student demonstrations in late 1986 and early last year, the communist party turned on itself, launched a campaign against western influence and sacked Hu Yaobang, the general-secretary, as well as several ministers alleged to have failed to contain that influence.

The leadership took few chances yesterday, as police lined the huge square in the early afternoon before the sit-in was scheduled to begin, and dozens of plainclothes officers took photographs of students, who were told to "keep moving" and were stopped from forming large groups.

"There are too many police here. It's very risky," an engineering student from Peking University said. A 21-year-old woman from the Peking Teachers' College said she was prepared to join a protest but not prepared to start one: "I believe in this cause. I think we should have more freedom."

Early yesterday morning, about 1,000 students debated the value of a protest, with some urging caution and others condemning the party and wanting to broaden the campaign. A message from the Peking Government was broadcast over loudspeakers and warned students to "make a clear distinction between right and wrong".

Fresh posters soon appeared with messages condemning the "action committee", an unidentified group of students organising the protest. One poster claimed that the "action committee is no longer in existence" because "based on the present situation, no action can happen".

The Peking Daily yesterday accused a "tiny minority" of "poisoning the people's minds, openly opposing the party's leadership, slandering the reform and open policy and destroying unity and stability".

Chinese students protesting in Peking

**Robert Thomson recently in Yantai reports on a home purchase experiment**

# China flirts with the business of housing

FENG YUQING is an unlikely revolutionary, but having just bought a four-roomed, concrete-floored apartment in the northern coastal city of Yantai, the mild-mannered cadre is in the front line of China's real estate revolution.

Owning a home, long condemned as an ugly example of bourgeois materialism, has suddenly become Communist Party policy and Yantai is experimenting with controversial property reforms that will inevitably be introduced in every Chinese city.

Feng, who works in a local party office, claims to have few fears that the housing policy will again change and that the family apartment will be evidence of his political mistakes: "I am easy at heart. I think this new policy is reasonable and profitable."

Since the experiment began nine months ago, 4,000 families have applied to buy a home and 130 apartments have been sold, most priced at around 30,000 yuan (£4,450), about 30 years' salary for the average urban worker, who must produce a deposit of 10,000 yuan.

More sensitive than the purchase policy is an accompanying increase in state housing rentals designed to make buying a home an attractive proposition. From three cents per square metre per month, rentals have jumped to 40 cents per square metre, a painful increase when inflation is already 11 per cent and rising.

To keep the masses in Yantai happy, the Government has introduced a housing subsidy of 23.5 yuan for every 100 yuan earned by workers, a subsidy that can only be used to pay rent or deposited in a special housing purchase fund. Mao Chengbao, a director of the Yantai housing reform office, admits that "people are afraid of the cost of living increase," but says the reform must go on, though the inflation problem will probably delay its introduction in other cities.

Having become a model for the rest of the country, Yantai cannot afford to fail. Zhao Ziyang, the Communist Party General Secretary, made a symbolic stop in the city on May Day and about 6,000 cadres from around the country have visited to research the reform and to "seek truth from facts," the party slogan of tha present.

Yet housing remains a sensitive ideological matter. An apartment or courtyard house can be purchased in Yantai, but the land remains state property.

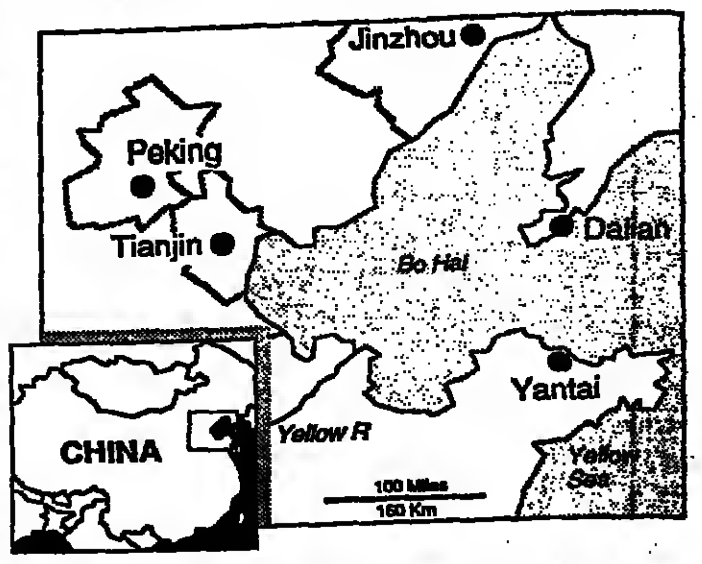
The People's Daily, the main Communist Party journal, explained to readers that the Yantai experience has "opened up a new path to solving urban housing problems that has Chinese characteristics," an important quality in a country attempting to develop "socialism with Chinese characteristics".

"Over the past dozens of years, the state has 'taken care' of the urban housing problem. This method has seriously affected the vitality of the building and building materials industries, and strangled the estate trade," the paper said.

Money, not ideology, is at the heart of the reform. The Government, estimating that 32 per cent of urban families have serious housing problems, claims that it cannot afford to build enough homes to satisfy demand and also wants to soak up excess consumer funds now fuelling inflation.

"Instead of spending money on urgently needed houses, people buy refrigerators, washing machines, and colour televisions, resulting in the emergence of this or that craze. Despite a per capita housing area of three square metres, some families have a television set on the bunk bed," the People's Daily commented.

Yantai officials say the guiding principle of their reform is "pay more for more and better housing," but a Shanghai resident complained to the People's Daily that "housing is a form of welfare and not a business," and warned that socialist China "should not blindly follow the high-rent policy of western countries".




# Lake's legend and ecology divide Israelis

**Andrew Whitley in Jerusalem reports on how hindsight is revealing that a 30 year-old project to eliminate malaria mosquitoes may have to be reversed to prevent the land sinking**

FOR ISRAELIS, the draining of the swamps and marshy lowlands the early Jewish pioneers encountered as they attempted to establish farming communities on this inhospitable land is near legendary.

Along with making the desert bloom, the action was one of those heroic steps of nation building whose desirability still goes unquestioned. It became an article of faith of Zionism.

The biggest project of its kind was the draining of Hula Lake, a large, reed-filled expanse of fresh water in the northern Galilee. A wildlife paradise, the low-lying lake was, unfortunately, a breeding ground for malarial mosquitoes.

More important, it was occupying what was thought to be valueble arable land for the incoming settlers.

Thirty years after the lake disappeared, one of those involved as a young man in the original operation is challenging the accepted wisdom head-on. Not only is he saying that the results never matched prior expectations, but he has called for part of the lake to be refilled.

"For 30 years, attempts to grow crops on the 20,000 dunams (acres) of drained peat land have failed," said Mr Yossi Lev-Ari, a biologist and director of a local natural history museum. "So, since the land is not profitable, flooding it again and turning it into a recreation area to bring in the tourists is the best solution."

The upper Galilee region, north of the Sea of Galilee, is already one of Israel's most popular tourist destinations. On summer weekends, its nature reserves are overflowing with families from Tel Aviv and Jerusalem looking to cool off among its streams and trees.

According to Mr Lev-Ari, a member of Kibbutz Dan, a nearby commune, the exposed peat never proved satisfactory for fuel or fertiliser, and has become a breeding ground for rodents.

Worse, the land is steadily sinking. Within 20 years it could be back under the water table level of its own volition. As for those much feared mosquitoes, they were all wiped out by 1948, three years before the drainage work began, he claimed.

All this would simply be another development-ideology-turns-full-circle-in-the-clarity-of-hindsight story if it were not for the ideological element.

Tampering with ingrained national myths is a risky business, as the reaction Mr Lev-Ari's proposal has generated from other local residents demonstrates. Scoffing at the idea of refilling the lake as expensive and impractical, Mr Moshe Meron of the Upper Galilee Council argued that with irrigation two thirds of the lake's original area has already been turned into good agricultural land.

If blame had to be cast, it should be cast in the direction of the government for giving such low priority to the issue and allocating such a miserly budget to resolving the difficulties, he said; an authentically Israeli reaction.

Less dismissive was Professor Tommy Berman, a member of the Kinneret (Galilee) Commission and head of a fresh water research laboratory. "Originally the drainage work was extremely beneficial," he observed. "It made the development of settlements feasible and opened up profitable economic possibilities."

Conflicting Government agencies had created a bureaucratic tangle over the entire question. But he could envisage the day when there would be no other solution available for the problematic area other than to let the lake return.

Campaigning for the return of the age-old wetlands, a migrating haunt for many species of birds, is a vigorous environmental lobby led by the Society for the Protection of Nature in Israel.

On the other side of the fence are some of the most powerful Zionist bodies, quasi-governmental institutions such as the Jewish National Fund and the Jewish Agency.

# Japan should back free trade says Takeshita

BY DAVID BUCHAN IN BRUSSELS

JAPAN "should carry the banner of free trade" as its major responsibility to the world economy, Mr Noboru Takeshita, the Japanese prime minister, said yesterday.

Answering European calls on Japan to increase its low level of imports, Mr Takeshita said: "I believe it is possible to formulate ultimately a consensus among the Japanese people" about bringing down import barriers.

In talks with the EC Commission, he promised to make the change in the alcohol tax (which bears particularly heavily on imported spirits such as Scotch whisky) that two of his predecessors as prime minister failed to effect.

Winding up his second European trip in a month – both dominated by trade issues – the prime minister commented that "open markets bring affluence to all involved", whether as exporter or importer.

The EC Commission had told him that the European market of 320m consumers would remain open to the outside world, but Mr Takeshita declined to say how seriously he took this assurance that the Community would not put a higher protectionist fence around its more integrated internal market.

The Japanese leader spelled out the points he wanted to raise at the forthcoming summit of major industrialised countries.

These included a plea on behalf of the so-called newly industrialised countries, as well as macro-economic co-ordination, Third World debt and the Gatt trade talks.

● The European Commission yesterday launched an investigation into allegations that two Japanese bearings makers have been side-stepping a 1985 EC dumping duty on complete bearings by increasing the export to Europe of bearing parts for assembly inside the Community.

The EC's "screwdriver" regulation exampts assembly operations from such duties, provided the ratio of local European content is at least 40 per cent of the value of the whole product.

The European Federation of Bearing Manufacturers Associations, which brought the complaint, claims the Japanese content of the bearings is more than 50 per cent.

# Hammer seeks China and Taiwan barter deal

BY BOB KING IN TAIPEI

DR ARMAND HAMMER, chairman of Occidental Petroleum of the US, has proposed that Taiwan enter into a barter arrangement with China that could be worth $1bn (£555m) a year - a deal that Taiwan has surprisingly not rejected outright.

Under the arrangement, which Dr Hammer discussed with Taipei officials on Tuesday and yesterday, China would provide Taiwan with as much as $500m a year worth of coal for as long as 10 years, while Taiwan would ship the same value of cement to China.

The transactions would be conducted through Occidental's offices overseas, and would thus technically count as indirect trade, on which Taiwan still insists in any dealings with Peking.

The proposed agreement, which Dr Hammer outlined to the media yesterday, would be attractive to both sides.

Taiwan, for instance, must import almost all of its raw materials. Last year, it purchased 14m tonnes of coal worth $621m from the US, Australia, and South Africa. China, in turn, could use Taiwanese cement in accelerating construction projects there.

Occidental plans to offer the Chinese coal, which is to come from a joint venture it operates in Shanxi Province, at $34-$36 a tonne - about the same price as South African coal, but far less than the $42-$46 a tonne Taiwan is now paying for coal from the US and Australia, which together provide an estimated 85 per cent of imports.

While officials of the Economic Ministry and the Taiwan Power Company - which consumes more than half the island's coal imports - expressed reservations about purchases of Chinese commodities, Premier Yu Kuo-hwa noted that Taiwan's policies toward the mainland are changing, Dr Hammer said.

Those changes may be institutionalised during the 13th congress of the ruling Nationalist Party next month.

# India may cut $1.5bn jet trainer contract

BY JOHN ELLIOTT IN NEW DELHI

A MAJOR international defence contract costing up to $1.5bn (£833m) for an Indian air force jet trainer, which the government has been planning for more than two years, is likely to be cut back.

This is as a result of possible curbs on growth in the country's defence spending which accounts for almost 20 per cent of India's total budget.

The jet trainer project could eventually cost more than $1.5bn and has attracted bids from the UK, US, France, the Soviet Union and, it is believed, Czechoslovakia. All the proposals include progressive manufacture of the plane in India.

The Indian Air Force argues it urgently needs the trainer to replace ageing Soviet MIG-21s and British Hunters.

But India is facing a serious shortage of foreign exchange, which is affecting a large number of major civil as well as defence contracts.

Negotiations have also been hit by a slow-down in decision-making at top levels in the government following corruption allegations last year over Indian contracts for guns from Sweden and submarines from West Germany.

Originally the contract was expected to be for 90-100 trainers, but a few months ago this came down to about 80 for budgetary reasons, although the initial figure could double over 10 years if there is sufficient finance.

The British Aerospace Hawk and the Franco-German Alpha jet have been front-runners for about two years.

Northrop of the US recently stepped up its attempts to break into the Indian defence market with an offer of its F-5 aircraft.

The Soviet Union is offering advanced versions of India's existing MiG-21 with two-seater variations.

This is on soft financing terms within the two countries' overall rupee-based countertrade arrangements, which makes it the most attractive bid commercially.

Opponents argue that the MiG-21s are not sufficiently sophisticated for Indian Air Force needs and that they would be more expensive to operate.

But they concede that financial constraints might force India to buy a small number of the Soviet aircraft as a stop-gap.

Both Soviet and British bidders have an advantage because they are already manufacturing Indian Air Force fighters at the country's government-owned Hindustan Aeronautics.

The Soviet Union is producing the MiG-21s at Nasik, while the Rolls-Royce Adour engine which powers the British Hawk is being made for the British Aerospace Jaguar at Bangalore.

Northrop is believed to have offered to move its F-5 production line from the US to India which could then be geared for export if India is prepared to abandon its traditional refusal to export lethal defence equipment.

India is wary, however, of relying too much on the US, which might quickly cut off supplies if there were an Indo-Pakistan war.

Other countries competing for Indian air force orders also argue that the US may in the long term be trying to gain effective control over its technological developments.

# Mitsubishi 'likely to sign fighter contract soon'

GENERAL Dynamics Corp has selected Mitsubishi as its representative in Japan for the new FS-X support fighter programme, Reuter reports from Tokyo.

The new fighter for Japan's Defence Agency is based on the F-16 aircraft made by General Dynamics, the company said. Japanese industry will participate as the prime contractor. Other details were not available.

Industry officials said General Dynamics and Mitsubishi are likely to sign a contract by the end of the month.

Developing the FS-X will cost an estimated Y160bn-Y170bn (£692m-£735m).

# Soviet Union wants joint gasfield ventures

THE Soviet Union is discussing collaboration with US and other foreign interests to develop natural gasfields in its Arctic and Siberian regions, according to Mr Victor Chernomyrdin, Soviet Gas Industry minister, Reuter reports from Washington.

Joint venture agreements "are not signed yet but they are in the works." He declined to identify potential foreign partners, saying premature disclosure could upset negotiations.

Earlier he said that the 1986 radiation leak at the Chernobyl nuclear power plant has prompted increased use of gas and other fuels to make electricity.

"The experience of Chernobyl "made it necessary somewhat to limit the production of electricity at nuclear power plants," and other kinds of power stations had taken on greater loads.

Soviet gas exports had increased more than 20-fold in the past 15 years and now go to 13 countries. Western Europe imports 60bn cu ft of Soviet gas annually.

As to the terms of joint ventures, almost everything was negotiable except the provision that the Soviet Union retain at least 51 per cent ownership.

David Owen reports on the mutual dependence of powerful neighbours

# Canada looks to US for oil capital

THE US faces a future of increased dependence on foreign energy – whether in the form of oil and gas, uranium or electricity. By some estimates, it will be importing 50-70 per cent of its oil by the end of the millenium – up from about 25 per cent at present.

Canada, which has all of these commodities in abundance, needs to attract large amounts of capital investment if it is to develop the increasingly remote or hard-to-extract oil and gas resources and fund the James Bay-type hydro-electricity megaprojects, on which its future as a major energy exporter depends.

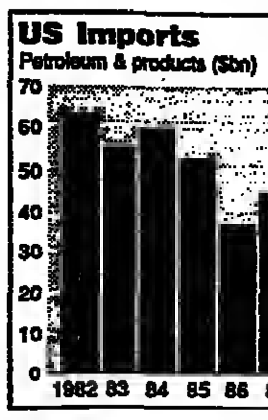
Trade in energy goods is one area covered by the still-to-be-ratified US-Canada free trade agreement where the best interests of both signatories appear largely to coincide.

Where better for the US to meet its growing energy import requirements in a volatile world than in friendly adjacent Canada? Subsidiaries of the major US oil companies are already among Canada's largest publicly-traded corporations.

From the Canadian viewpoint, how better to attract capital to its Arctic and east coast oil and gas discoveries and to the fledgeling oil sands industry than by obtaining greater security of access to the vast and thirsty US market? According to Mr Arden Haynes, chairman of Imperial Oil, the Exxon subsidiary, the agreement will inspire "greater confidence that long-term trading relationships will not be disrupted" and "reduce the risk of proceeding with major Canadian energy projects."

If these comparatively high-cost frontier and oil sands resources are not developed Canada may, like its powerful southern neighbour, find itself becoming more dependent on oil imports in the not too distant future. At 730.8m cubic metres, viable end-1986 reserves represented little more than 10 years' annual output. More importantly, according to one report, "the rate of finding and developing conventional crude oil reserves is averaging only about half the rate of production." Marketable natural gas reserves stand at about 23 times annual production.

Given this common interest in furthering bilateral trade and investment, the energy-related undertakings of the free trade agreement are aimed primarily at institutionalising the deregulated environment of the past three years. The deal "does not represent a significant departure from present policies," according to Mr Marcel Masse, Canadian Energy Minister. "A great deal of what the agreement calls for in terms of energy transfer was already occurring," concurs Mr Robert Blair, chairman of Nova, the fast-growing Canadian oil, pipeline and petrochemicals company.




During this time, bilateral energy trade between the two countries has risen to more than C$13bn (£5.8bn), with Canada growing into the US market's largest single supplier of crude oil and refined petroleum products. All told, Canada presently supplies about 5 per cent of US oil needs, 6 per cent of its gas and 2 per cent of its electricity.

Under the terms of the deal, the two sides undertake not to impose export taxes on energy goods – unless such taxes are also imposed on domestic consumers. They have also agreed that should energy exports be restricted for any reason, the country imposing the limitation must ensure that customers in the other country have access to the same proportion of supplies as had prevailed during the 36 months prior to the imposition of the new measure.

Canada's access to Alaskan oil, meanwhile, will continue to be restricted to a maximum entitlement of 50,000 barrels per day, conditional on the oil being shipped to Canada via one of the 48 contiguous states. The Canadian Government's target of achieving 50 per cent domestic ownership of its oil and gas industry would remain in place.

The trade-off, in a nutshell, is more assured access to the US market for Canada in return for more assured access to stable Canadian supplies for the US. But the tacit (and mutual) desire behind most of the oil-related provisions is to forestall any possible revival of the Trudeau government's Canadian National Energy Program of 1980.

The programme, conceived at a time of rapidly escalating oil prices, was a bold attempt to boost Canadian ownership of the oil industry and garner a greater share of industry revenues. It necessitated an unprecedented degree of federal government intervention in the market, including the fixing of a domestic oil price well below soaring world levels.

Mr Brian Mulroney's Conservative administration essentially dismantled the energy programme and deregulated the marketplace shortly after it came to power in September 1984.

# C & W aims at Manila telecoms market

By Richard Gourlay in Manila

CABLE & Wireless has formed a new company to break into the Philippine telecommunications market – in effect a monopoly of Philippine Long Distance Telephone.

The company, Digitel Telecommunications Philippines has a pending application with the Philippine Congress for a franchise to operate as a public utility. The company is owned 40 per cent by C & W and 60 per cent by Filipino investors.

C & W already has a major interest in Eastern Telecommunications Philippines, which has links with telephone operators in Hong Kong, Singapore and Taiwan.

Digitel has a paid-up capital of $10m and plans capital expenditures within five years of Pesos 2.7bn (£71m) if granted the franchise.

The company plans to provide 57,000 new domestic telephone lines but says it is mainly interested in expanding its share of profitable international traffic by cutting rates by 15-20 per cent.

The grant of a franchise is far from certain. The success of C & W's bid depends on how the authorities view increased competition.

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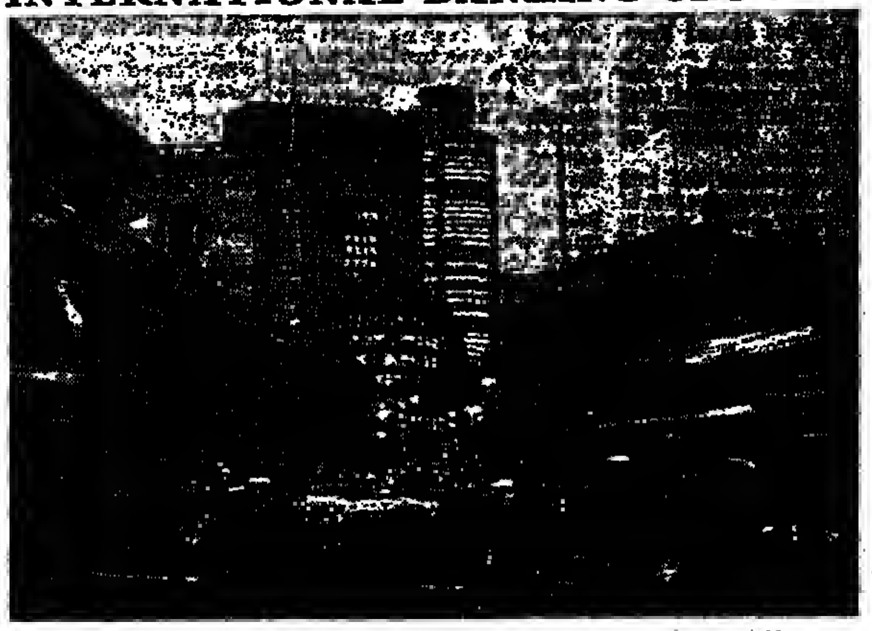

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## Pay gap highlights north-south split

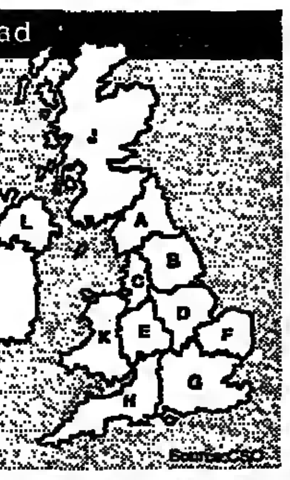
FRESH EVIDENCE of social divisions within the UK is offered in the latest edition of the Government's Regional Trends, published today.

The publication, an annual digest compiled by the Central Statistical Office, illustrates variations in income and lifestyle between regions of the country, but makes clear that they exist within regions as well.

**Reports by Alan Pike Social Affairs Correspondent**

**Ratio of GDP per head**

| | | 1976 | 86 |
|---|---|---|---|
| A | North | 95.6 | 91.9 |
| B | Yorks & Humber | 94.0 | 93.2 |
| C | North West | 96.4 | 93.5 |
| D | East Midlands | 96.0 | 96.1 |
| E | West Midlands | 98.1 | 90.6 |
| F | East Anglia | 94.7 | 100.8 |
| G | South East | 112.2 | 117.5 |
| H | South West | 90.8 | 96.1 |
| J | Scotland | 98.6 | 93.5 |
| K | Wales | 89.6 | 85.7 |
| L | Northern Ireland | 81.0 | 69.5 |
| | UNITED KINGDOM = 100 | | |




Average weekly household income in the south-east was £269 in 1985-86, compared with £187 in the northern region at the other end of the scale. Levels of household expenditure were £202 a week in the south-east compared with £145 in the north.

The £82 difference in weekly household income between the south-east and the north compares with a difference of only £43 in 1980-81.

Perinatal mortality rates – the deaths of infants within a week of birth, which is often taken as a measure of deprivation – vary considerably between the regions.

The south-west and south-east have the lowest rates – 8.6 per cent and 8.9 per cent per 1,000 live births – while the figure rises to 11.6 per cent in Northern Ireland and 11.5 per cent in the west Midlands. That compares with a rate of only 6.8 per cent per 1,000 births in Oxfordshire.

In all regions the figures rise, in most cases sharply, for births in the unskilled social classes. In Yorkshire and Humberside the rate is 16.3 per cent per 1,000 live births for children of unskilled fathers, and in the west midlands 15.4 per cent.

Those figures are not a simple illustration of the much discussed north-south divide. The south-east is overwhelmingly the most prosperous region and, with 30 per cent of the total population within its boundaries, it lifts many of the national average figures with which other regions are compared.

But some of the London boroughs and other parts of the south-east hava pay levels or social problems that compare with those of the traditional industrial areas. Average wages on the Isle of Wight, for example, are below the level for Northern Ireland.

Women's pay remains lower than that of men in all regions, although, as with wages in general, it is highest in the south-east. More than half the women in full-time work in East Anglia and Northern Ireland earned less than £100 per week in April 1987.

Self-employment has continued to grow as a source of income in all regions except Scotland.

The south-west has seen the fastest recent growth in the self-employed. By last year 13.6 per cent of the region's working population was self-employed and it shared, with East Anglia, the lowest unemployment rate. The north made the lowest proportionate contribution to self-employment.

During the 1980s the south-east and East Anglia have experienced above-average growth in GDP per head of population and Regional Trends points to wide variations in GDP per head within and between regions. It varies from 144 per cent of the UK average in Greater London to 70 per cent of the average in Mid-Glamorgan.

Cigarette smoking has been declining throughout the country and the greatest reductions have taken place in Wales, the south-east, the north west and the east midlands. In 1986 the greatest prevalence of cigarette smoking was in Scotland, the north and the north-west.

*Regional Trends 23. HMSO. £18.50*



## Scotland has best class ratios

THE LOWEST proportion of school leavers entering full-time education came from the north (21 per cent) and Yorkshire and Humberside (24 per cent) in 1985-86. That compared with 35 per cent in the south-west, and about 31 per cent in the south-east and Wales.

Scotland had the highest proportion of public-sector primary and secondary schools with fewer than 50 pupils – 22 per cent of the total in 1986-87. Pupil-teacher ratios were also lower in Scotland than elsewhere in the UK.

The biggest recent regional rises in crimes of robbery have been in the north-west and the west midlands. The rate of offences reported to the police rose in all regions between 1981 and 1986.

Drug offences grew throughout the country during the same period with the rate of persons found guilty or cautioned for them increasing in all regions except East Anglia.

Almost 75 per cent of households in the south-east and south-west had the regular use of at least one car in 1985, compared with 62 per cent in Great Britain as a whole. In the south-east, 26 per cent of households had the use of two or more vehicles compared with 17 per cent in Great Britain as a whole.

## Births outside marriage rise

WALES HAS, with the exception of the Campania region of Italy, the lowest road accident rate in Europe. Its police forces clear up the highest proportion of offences in Britain and it has a larger percentage of children under five attending school than any of the English regions.

Is that proof that good examples of socially responsible behaviour, set in Welsh classrooms from an early age, and vigilant policing contribute to road safety? Perhaps. Or perhaps not. The only certain connection between the three is that all appear in Regional Trends.

As Mr Tom Griffin, the volume's editor, commented yesterday, Regional Trends contains enough information to give some support to almost any theory or explanation likely to be advanced.

However, used properly, the publication, which draws together information from a wide range of official sources, is of invaluable assistance to academics, market researchers and others concerned with charting patterns of change in Britain.

Regional Trends is a follow-up publication to Social Trends, the Central Statistical Office's overall snapshot of contemporary life, and it fleshes out at a more local level some of the broad developments identified in Social Trends.

One of the most striking recent changes disclosed in this year's Social Trends in January is a sharp growth in the number of children born to unmarried parents (although there is evidence that many unmarried mothers and fathers live together in stable relationships).

Wales is almost exactly in line with the UK average – 211 of every 1,000 live births are outside marriage. But there has been an exceptionally large increase in the proportion of such births in Wales, with a rise of 88 per cent over five years.

The region with the highest proportion of births outside marriage - a significant pointer to changes in traditional notions of family life - is the north-west of England, with a rate of 266 births per 1,000 outside marriage in 1986. However, within regions, some far higher rates can be detected.

In the London borough of Lambeth, nearly half of all births were outside marriage in 1986 (453 per 1,000), an increase from 353 per 1,000 over five years.

The neighbouring borough of Southwark was close behind, with 420 births per 1,000 outside marriage in 1986.

However, marriage, for the first or subsequent times, is not yet finished as an institution. The south-west of England has the highest proportion of remarriages as a percentage of total marriages - about 30 per cent. It also has the largest proportion of pensioners.

The south-west's large population above pension age – 21 per cent of the total compared with 8.1 per cent for the UK as a whole – reflects its popularity as a retirement centre, with the pensioner population rising to 25.1 per cent in Dorset.

Not surprisingly, Dorset has the lowest birth rate and, apart from East Sussex and the Isle of Wight, the highest death rate in the UK.

In spite of the high proportion of elderly people in its population, the south-west will continue to grow. It is estimated that by the turn of the century its population will have increased by 9.8 per cent, making it the fastest-growing region in the UK apart from East Anglia.

As well its large number of elderly residents, the south-west also gives road space to the UK's highest proportion of old cars.

Car ownership is sometimes treated as a measure of affluence, but Mr Griffin gives a warning of the dangers of drawing that conclusion too readily.

In rural areas, he says, many people will go to great lengths to own a car because it is sometimes the only means of transport, while car ownership in some urban areas is lower than might be expected.

Other potential measures of affluence, such as ownership of consumer goods, also have to be treated with caution.

The south-east has the highest levels of income and expenditure in the UK and families there spend the most on durable goods – yet proportionally fewer households in the south-east have washing machines than in any other region.

England, Wales, Scotland and Northern Ireland have all reached the point where families are more likely to own a home computer than a dishwasher.

# MANAGEMENT: Marketing and Advertising

Gold markets

## Making a play for the jewellery trade

**Ken Gooding on the aims of the newly-formed World Gold Council**

PRODUCERS NEVER tire of reminding us that if all the gold mined since the beginning of time could be put together in one lump it would make a cube measuring only 18 metres on each side.

But gold production is increasing at such a pace that they will soon have to do their calculations all over again. Since 1980, when 950 tonnes of gold was mined, *annual production* has risen by half to about 1,380 tonnes last year and many forecasters expect the total to reach 1,500 tonnes in the early 1990s.

Gold is subject to the normal influences of supply and demand as the price – which in the current decade has been as high as $850 a troy ounce in 1980 and down to $284.25 an ounce in 1985 – clearly indicates.

With this in mind, more than 70 producers from seven countries have banded together and are providing $65m a year to promote their product through a Geneva-based organisation called the World Gold Council.

While the budget is large it is by no means large enough to allow the council to promote gold in all its forms in all the world's markets.

So some extensive market research has been carried out to establish how the cash can best be spent.

The opportunity for a fundamental re-think arose because just over a year ago the organisation which previously carried the burden of promoting gold round the world, the International Gold Corporation (Intergold), was wound-up and replaced by the council. The move reflected the relative decline of South Africa's importance as a gold producer as output in countries such as Australia, Canada and the US grew rapidly. Intergold had been financed by the South African Chamber of Mines.

Research to establish how the new organisation could best use the available money showed that resources should be concentrated primarily on promoting gold jewellery – but only in six major markets (the US, Japan, West Germany, France, Italy, and the UK) and Switzerland.

Promoting gold as an investment in the US, West Germany and Japan, should also pay big dividends, the research showed.

The council therefore rationalised its organisation and stopped promoting jewellery in 11 minor markets. It cut the number of offices to nine (Hong Kong, Tokyo, London, Milan, Munich, Paris, New York, Rio de Janeiro and the headquarters in Geneva) by closing down in Brussels, Barcelona and Johannesbourg and reduced its staff to 135.

According to Elliott "Chick" Hood, chief executive of the council, this gives annual savings of $4.5m which can be spent more effectively.

That is particularly true for the $45bn a year jewellery sector where gold has some catching up to do. In the 1970s jewellery was the cornerstone of the gold market, taking 60 per cent of all the metal produced. But that cornerstone has been eroding. Jewellery is now taking less than half.

"Jewellery offers potential because in all major countries gold jewellery *is growing* at a slower rate than income spent on non-essentials," says Hood. Markets which offer particular scope for boosting sales of gold for jewellery are the US and Japan. Judicious promotion could add 80 tonnes to the 211 tonnes sold to the jewellery trade in the US in 1986, while in Japan research shows the growth potential is 60 more tonnes on top of the current 90 tonnes used.

In contrast, research shows that only 58 tonnes could be expected to be added to the 135 tonnes presently consumed in the four major West European countries.

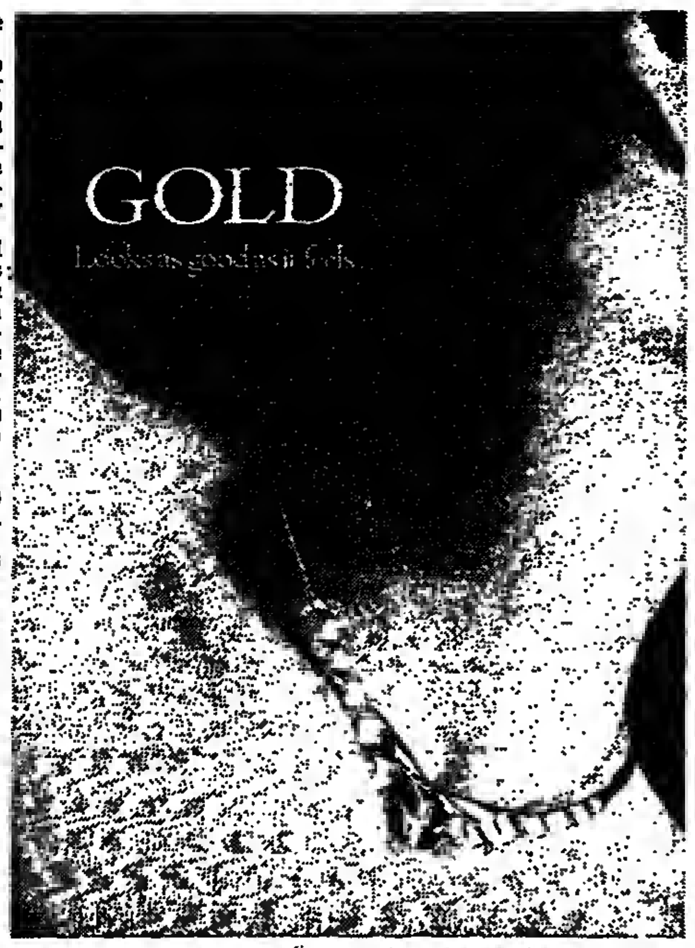
So promotion of jewellery will get $31m of the council's available cash this year. This includes some $3m for television advertising in the US.

The council's jewellery division works mainly with the jewellery trade and industry. By doing so it is able to coordinate consumer promotion and stimulate increased direct involvement by the trade in special projects. The council can also more easily monitor consumer and trade developments.

Perhaps the most important aspect of this approach is that it enables the council to increase the amount of money available by getting the trade and industry to contribute. This year various companies have guaranteed to provide another $30m for gold jewellery promotional projects.

Hood believes the council is getting this support because the jewellery companies have seen what success its predecessor, Intergold, had in promoting gold jewellery in Japan.

Intergold helped Japanese jewellers to improve the design and quality of their products and then started the Japan Gold Jewellery Fair at which manufacturers can exhibit only if their products achieved certain standards. Every year since it started in 1983 the Fair has attracted 15,000 buyers. In the first year orders taken accounted for 10 per cent of all Japan's gold jewellery sales.




*That percentage has dropped* as sales blossomed. Japan bought an annual 38 tonnes of gold in jewellery in the early 1980s. Today it buys 90 tonnes.

However, promoting gold as an investment in Japan ranks even higher in the council's list of financial priorities and it has promoted schemes such as gold accumulation plans which enable an investor to commit regular monthly payments to buy gold at the current price so that over a period, say ten years, he has put together that big lump of gold he always wanted.

The council has given help with the formulation of gold accumulation plans not only in Japan, where a gold bullion dealer has launched one, but also in Europe. Eight West German and three Swiss banks now have such schemes which have already have attracted more than 10,000 investors.

Winfried Kilp, who is responsible for the council's investment division, which receives about 26 per cent of the available funds, says several more ideas are being worked on but it is essential that any investment product must fit the new technology being used by financial institutions, must make training and information available for sales people and offer incentives at the retail level. The consumer must also be made aware of the product and told where to buy it.

"In the US we have to re-package gold to make it fit the new *electronic systems*", Kilp points out. "Brokers must be able to bring up on their screens details of gold investment packages. The council is working on that".

A common thread to the council's spending in the investment sector is that the money is all going into areas where the results can be easily measured.

The market for gold bullion coins, which the council is heavily involved in the developingt and promoting, is a case in point. The use of gold in coins has fallen from an annual 250m tonnes to 100m tonnes following the demise of the South African Krugerrand, *killed off* when sanctions were imposed by the US and Japan in 1984.

A number of mints have been attempting to fill the gap – three new gold bullion coins were launched in 1987 alone – "and we had to run with the ball", Kilp insists. "We feel we can help *revive the coin market by offer*ing consultancy services to the mints and bring sales back to the 200 tonnes a year level."

The council is also looking at ways it can involve itself in the European Community harmonisation process, particularly in view of the different approaches *to gold coin investment.* For example, the UK and West Germany charge VAT on the coins but Italy does not. In France VAT is paid when the coin is re-sold.

"But," says Kilp, "there is a limit to what we can achieve in the coin sector. Getting private funds into gold is the key to a really big expansion in gold as an investment."

*Meanwhile, Hood believes the* council's major achievement in its first year has been to win the full support of its members. "The World Gold Council sees its job as educating mining companies world wide so that they understand they are in the gold business and they need to care about what happens to the gold when they have produced it".

*That message has been ham*mered home partly by the use of statistics. Hood points out that the Western world's gold mining industry has an annual turnover of about $10bn. Spending this year on exploration alone by the gold miners is conservatively estimated at $1.1bn in the four major production areas.

That means the council's budget, which should help the bring in the buyers, represents only 5.5 per cent *of the cash spent to find* new gold.

## Recruiting gets the special treatment

**Philip Rawstorne on a developing trend in job advertising**

RECRUITMENT advertising agencies in the UK are now advertising for more staff themselves. Business is booming nationwide.

According to the Institute of Practitioners in Advertising(IPA), *nearly £470m* was spent on job advertising in newspapers and trade press in the UK last year. It estimates that at least another £30m was spent on radio, television, poster, and transport advertising.

The Advertising Association *estimates* that the value *of* recruitment advertising in newspapers, at £384m, was up 32.3 per cent in real terms on 1986.

Hand in hand with this growth has been an increasing specialisation of advertising. "Greater pressure to *identify and attract the most able peo*ple at all levels has led to the development of recruitment advertising into a highly sophisticated activity," says David Wheeler, director general of the IPA.

"In many instances it is beginning to converge with what is generally known as corporate advertising. It is just as *important, if not more so, to* get over the ethos, objectives and flavour of an organisation to would-be employees as it is to impress customers and shareholders.

"The emphasis today is on image-building and corporate projection."

Nick Holker, a director of MSL Advertising, part of the *Saatchi & Saatchi group,* says: "Three or four years ago, the recruitment business lagged well behind what was happening in consumer advertising. Now we are engaged in some highly sophisticated campaigns."

Some of the most creative advertisements are to be seen in the most competitive recruitment fields – areas of skills shortages such as data processing.

MSL won a gold in the 1987 Express Newspapers recruitment advertising awards *for* an *advertisement* for computer *staff for LLoyds Bank.* It was a difficult brief. Lloyds did not want to be named in the advertisement, or even have the City mentioned, lest it should stimulate even tougher competition for recruits. But it did want the advertising to convey a general sense of banking propriety.

The result was an advertise*ment illustrated with photo*graphs of pebbles – "From the stones and pebbles early man used both to calculate and to represent his wealth, there is a straight line of development through to the highly sophisticated systems today employed within the financial services sector....." Holker says: "It worked very well, and that's very important. A recruitment ad's success or failure is known immediately."

To recruit data processors for Abbey National, MSL devised another award-winning series of advertisements (pictured) using the building society's Baker Street address as the basis for a spoof Sherlock Holmes Adventure of the Expanding Abbey. "This, my dear fellow, is the Abbey's second *mainframe update within* the past four years. Proof, if such were needed, that the *company's exceptional* business expansion has been very much systems led."

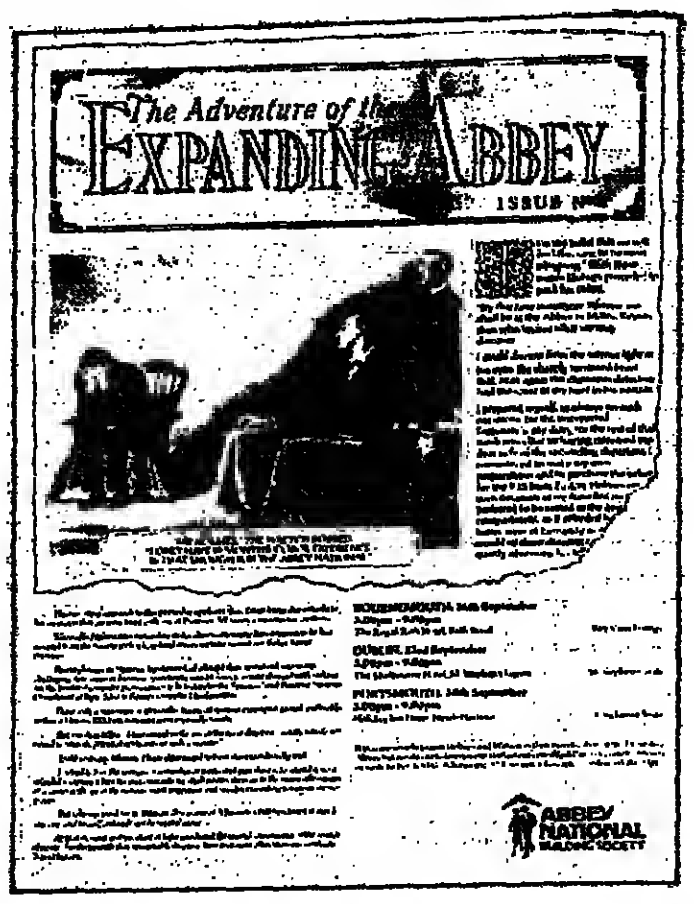
Holker says: "You cannot do that sort of thing to recruit, say, a clinical research scientist for Glaxo." But newspaper recruitment advertisements are becoming more eye-catching and colourful. "Two or three years ago, we were doing *maybe four colour ads a year,"* says Holker. "Now it's four or *five a week."*

And some advertisements are spreading outside the traditional recruitment pages. "After all, only the people actually looking for a job go through the recruitment pages. We have been experimenting to see if we can catch more casual readers in the colour supplements, and tempt *them to move."*

Television is still rarely used for recruitment – though the Army favours it. But radio is "a great medium", says Holker.

MSL has also used posters to great effect to recruit both, staff and customers for new Sainsbury stores; and direct mail to target university graduates.

"Our market," says Holker, "now *covers* all media, all industries."



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**Paul Abrahams** reports on the new services available to the public through advances in digital telephone technology

# The computer which can understand you

A NEW INDUSTRY is being created by digital technology – voice publishing.

Members of the public can now ask questions of computers and receive the answers by telephone, thanks to advances in digital storage techniques and voice recognition.

"The technology effectively provides user friendly access to databases and information by the telephone," says Peter McCarthy, managing director of Telecom Potential, one of the service providers. "There is no need to understand computers – you just dial a number and speak."

"As a mechanism for imparting information, voice publishing could become as important as the printing press," says Jeff Wilson, managing director of Hampshire-based Telsis, one of the leading UK manufacturers of voice publishing technology.

Wilson says that premium services now available are a quantum leap from the talking clock telephone which users in Europe and North America have been consulting for years.

"The market really began to expand rapidly with the introduction of intelligent digital systems," says Dsvid Wade, gronp manager at Marconi speech and information systems division in Portsmouth. This means the computer can recognise a key word from the caller and give an appropriate response.

The technology which made this leap possible sprang from developments in:

- Direct dial interface (DDI) which allows different services to be given over the same line. Previously, services using answering machines could only provide one line for each message. Now, one digital system with UDI, operating say 60 lines, can supply any of 1,000 messages over them.
- Digital storage of the human voice and advances in software, which dispense with tape recordings and enable the computer to edit words to form sentences that answer the particular query.
- Multiple freqnency and voice recognition, which allow interaction between the caller and the computer.

"The advantages of the new digital equipment are considerable," says Wade. "Machines with DDI can be used much more efficiently than earlier systems, such as those which proliferated in the US in the early 1980s." And the latest machines can provide many more services.

Although there are no published details about the size of the market of premium rate calls using digital technology, analysts are convinced that it is expanding rapidly.

Premium rate services are becoming big business. Estimates of turnover for 0898 premium services in the UK are as high as £100m a year for some 150m calls. In France last year, the PTT says that its premium rate service, called La Kiosque Téléphonique, was used 160m times, providing a revenue of FFr1.37bn (£130m). The revenue is divided between the telephone companies and the service providers.

Analysts believe that growth in premium services is attractive to telecommunication companies not only because it generates more calls, but also because it creates usage outside peak hours, smoothing out traffic and providing more efficient use of plant.

Although figures are hard to come by, it appears that the service-supplying companies – of which there are more than 60 in the UK – are also benefiting from the expansion in services.

Peter McCarthy, managing director of Telecom Potential, one of the information suppliers, states that his company has, on average, doubled its turnover every year for the past eight years. FT Cityline, a share information service provided by Financial Times Business Information, has traded profitably from its first day of operation.

The range of services generating that income is wide. Telephone users can access sports reports, share prices, rock music and advice on health for both humans and animals.

However, the possibility of interaction provided by touch-tone, or multi-frequency, telephones and voice recognition has opened up other markets for the information providers. These include:

- Closed user groups, for which subscribers pay a fee in addition to the normal premium rate. Typically, these services provide information about the form of racehorses, supplied by trainers. One such scheme, which has a membership of 2,000, charges a £650 fee for the index containing the numbers needed to gain information about particular horses.
- Career lines, which provide access to databases of information about jobs. Once listeners have identified a post for which they want to apply, they can give their name, address and telephone number to the machine. Tapes of the replies are then provided each day to the relevant companies.
- Interactive adventure games, which allow players to act out roles of characters in fantasy or detective stories. The game provides players with a number of choices – given through either touch-tone buttons or voice recognition – which affect the way the game proceeds. The words the player wants to use have to be recorded at the beginning of the game.

The main UK manufacturers of the digital equipment used for voice publication, Marconi – a subsidiary of GEC – and Telsis, believe that speech independent technology, which does not require the pre-recording of words, will open up significant markets.

Jeff Wilson at Telsis explains that speech independent technology which would recognise most voices is difficult, particularly in the UK where there are so many regional accents.

However, Marconi has perfected a speech independent system using a database of regional accents which provides a reasonably large vocabulary and 90 per cent reliability. It is believed that the National Westminster and Clydesdale banks are about to launch a service offering bank account information.

Nevertheless, there are worries that the growth of the premium service market in the UK and on the Continent could be limited by pornographic messages.

"The US had horrible trouble with pornography, which proved difficult to hold back because of the regulations governing freedom of speech," admits Terry Walton, manager of tele-marketing network services at British Telecom (BT).

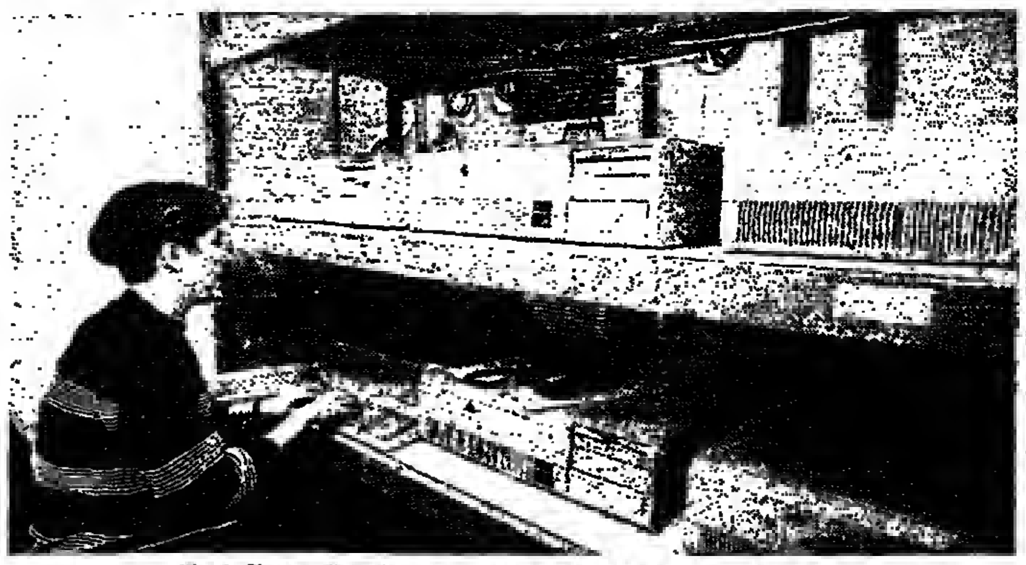
"The 976 premium services in the States got off to a bad start. Pornography asanmed such importance that it tainted the system in the eyes of the population. Major players began to pull out," he explains.

However, analysts point out that the development of premium rate systems depends upon the attitudes of the national telecommunications companies. They also argue that BT has succeeded in controlling the problem.

Both BT and the French PTT are withdrawing services which might have affected the reputation of premium rate services. BT agreed to end a telephone conference system called Talkabont, which was aimed at teenagers and caused complaints because youngsters were running np buge bills. A similar system offered by the PTT in France, called Téléconvivialité, is to be ended in July.

BT has also been willing to cut off the telephone lines of suppliers of salacious material. Communications and Media, one of the service providers, found all their services suspended after there were complaints about the antics of "Nina the nurse". This sort of sanction is particularly effective given the profits involved. In 1986, for example, one company made £5m. The French PTT is considering legislation to control pornographic services provided on its Kiosque Rose.

Analysts believe that measures such as these will allow the market to develop rapidly. The Netherlands has recently introduced a service and Australia is to launch one later this year.



Wendy Shone, editor of FT Cityline, operating the Marconi Keycall system

## Calling up information on the television

A NEW service which combines voice publishing with teletext – the provision of information via television broadcasts – has jnst been launched by a small Cambridge company, McCallum Televox. It is intended to be a medium for advertising holidays, houses, cars and jobs.

Users of the Televox service need only have a telephone and a television set equipped to receive teletext. Five million such sets are already installed in the UK.

A subscriber calls the Televox Centre in Cambridge on an 0896 number, for which he pays 25p or 38p per minute, depending on the time of day. The voice recognition equipment, which is manufactured by Votan in the US, asks him first to repeat six control words so as to get used to his pronunciation. He then uses simple comhinstions of these words to select pages of text from a *potentially large database*.

Televox already has 50 advertisers and 400 pages of advertising and the target is to build up to 4,500 pages by the end of the first year. The company hopes to receive 2m calls from subscribers in the first year and 4.5m in the second.

*The pages of text are broad*cast by the Independent Broadcasting Authority's transmitters, using the facilities of the IBA's Oracle teletext service. Televox uses part of the space reserved for subscription teletext services aimed at special groups. Malcolm McConachie, managing director of Televox, says that on average there is a four second delay between requesting a page on the telephone and seeing it appear on the television screen.

At present the Televox system can handle a maximum of 40 calls simultaneously bnt McConachie says its capacity could be increased snbstantially.

However, the future of Televox is overshadowed not only by the commercial uncertainties surrounding any new business, but also by an unresolved legal dispute with Oracle. Televox recently won a High Court injunction compelling Oracle to transmit its signals but the case has yet to come to trial.

**Clive Cookson**

# Japanese doubts about 'progress'

PEOPLE in Japan are far more pessimistic about the effects of technology than are their counterparts in the US. They also want more government regulation to shield them from the unpleasant aspects of technological advance.

While the Japanese are relatively *self-effacing* about their efforts in technology, Americans are more likely to regard themselves as leaders. Both countries, it appears, share a common disdain for UK performance.

These conclusions arise from a group of international opinion polls, the results of which have been summarised by the National Science Foundation, a US Government agency.

The polls reveal that the Japanese, who are generally thought to be in the vanguard of technological progress, are by no means happy about the perceived effects.

While 79 per cent of those polled in the US reckoned technology would have a positiva impact on working conditions, only 40 per cent in Japan agreed with this proposition. Eleven per cent in the US said it would have a negative *effect*, compared with 21 per cent in Japan.

As to people's enjoyment of life, 68 per cent of the respondents in the US poll said technology would help in this regard, while the figure for Japan was 46 per cent. A quarter of the men and women in the US survey said technological progress would hava a positive inflnence on moral values, in contrast to just 5 per cent in Japan.

Only 47 per cent of the Japanese sample thought science and technology had scope for making work more interesting, and 73 per cent said automation would eliminate more jobs than it would create. The figures for the US were 71 per cent and 44 per cent respectively.

The Japanese were more likely than their US counterparts to want more government regulation in areas such as construction of nuclear plants and drug development. Nearly four fifths of their sample said government regulations in food additives were insufficient, compared with 38 per cent in the US. Some two fifths believed there was insufficient control of genetic engineering, in contrast to one in five in the US.

People were also asked how they ranked their country's standing in science and technology. In the US, 36 per cent thought their country was ahead of Japan in basic science, with 29 per cent saying it was behind. More than 50 per cent believed the US was ahead of West Germany, Britain and France.

They were more sanguine, however, about Japan's efforts in civilian and industrial technology – 66 per cent thought their country was behind Japan.

There was less of a tendency to bullishness in the comparable Japanese poll, which showed only 37 per cent believing that Japan led the US in technology related to everyday living, while 55 per cent put it behind. They were about evenly split on the two countries' relative positions in industrial technology.

In the part of the US poll which asked people to rank different countries' technological capabilities, the UK came *bottom* (or joint bottom with France) in each of the areas surveyed – industrial technology, science and military technology.

It fared a little better in the Japanese poll, with France ranking beneath it in science and *industrial technology*. Both the Soviet Union and France came out less favourably in technology related to everyday *living*.

The belief that the Japanese are a cautious race compared to the Americans was borne out by the parts of the polls referring to specific programmes.

Only 21 per cent of people in the Japanese aurvey said they would support work *aimed at dis*covering intelligent beings in space, compared with a figure of 64 per cent in the US. More than half the US sample wanted to see work aimed at creating new kinds of plant or animal life, while the figure for Japan was only 10 per cent.

And it seems that the Japanese have no great desire to live to a great age. Only a *fifth of those* questioned said they wished to see studies on how to enable people to live beyond 100, compared with 68 per cent in the US survey.

The data are contained in a 353-page volume, Science and Engineering Indicators, 1987, available from National Science Foundation, Washington DC 20550.

**Peter Marsh**

# BP and Texaco lift petrol price, others to follow

BY STEVEN BUTLER

BRITISH PETROLEUM raised petrol prices by 3.6p a gallon yesterday morning. Texaco followed in the afternoon with a 3.7p increase and other oil companies were expected to announce similar moves in the coming days.

BP, Britain's third largest petrol retailer, said the increase was prompted by rising prices on the Rotterdam gasoline spot market and by fierce price competition domestically, which had resulted in the company losing money on petrol sales.

BP's maximum price for four star petrol (high octane) rose to 178.9p a gallon from midnight last night, while Texaco said its prices for similar fuel would average 174p from tonight.

Mobil is expected to announce *a decision on prices today. Shell* said it would take no immediate action but added that it welcomed the price increase and believed the BP move was inadequate. Esso, Britain's biggest retailer, made no comment.

This latest round of general price increases, the first in 18 months, comes in the midst of an inquiry into petrol retailing by a select Trade and Industry Committee in the House of Commons. Yesterday, oil industry executives were privately nervous that their actions would be seen as a demonstration of collusion on prices.

The industry was deeply disturbed two weeks ago when the Committee took the unusual step of asking witnesses, including the managing director of Shell UK Oil, Mr Jaap Klootwijk, to testify under oath. Many are resigned to what they now see as an inevitable reference to the Monopolies and Mergers Commission.

Texaco said it had taken its decision independently and others stressed that they were reacting to identical market conditions that had steeply eroded margins.

Spot prices for prompt delivery, *premium gasoline in* north west Europe have risen from $169 a tonne on April 1 to $195 a tonne yesterday. BP said UK pump prices were now running about 10 per cent below Rotterdam spot prices.

Although sterling crude oil prices have been weak since the start of the year, buoyant demand for gasoline in the US and Europe has taken supplies out of the spot market and boosted prices.

# ICI to shed 550 jobs in fertiliser division

BY ANDREW TAYLOR

IMPERIAL Chemical Industries, Britain's biggest chemicals company, yesterday announced plans to cut 550 jobs in its loss-making UK fertiliser operations. It blamed plant closures on falling demand from farmers and overcapacity at fertiliser companies in Britain and overseas.

The cost of the closures and redundancies of £44m will be included in the group's 1988 accounts as an extraordinary item. The company also intends to spend about £30m over the next three years improving the efficiency of its remaining Nitram (ammonium nitrate) and compound fertiliser plants.

The group said the cuts were needed to bring the fertiliser division's capacity into line with demand. It follows redundancies at Norsk Hydro and UKF, the second and third largest UK fertiliser manufacturers.

ICI is Britain's biggest fertiliser manufacturer supplying about half the domestic market. Last year the group's fertiliser division made a trading loss of £4m, after a £21m trading loss in 1986.

During the early 1980s the fertiliser division regularly topped the £100m profit mark. Three years ago it made a trading profit of £99m.

Since then demand for chemical fertilisers has fallen away as farmers have become more efficient. The fertiliser industry fears that farming output may be reduced in future, as a result of measures to control European Community spending on agriculture. There is also growing concern about the environmental effects of chemicals in fertilisers.

ICI, announcing its first quarter results at the end of April, gave a warning that the wet start to the year had restricted demand for fertilisers and that prices had remained unsatisfactory amid severe competition.

The job losses will occur during the next 2½ years at the Barton and Beverley plants on Humberside on the north-east coast, Leith in Scotland, Severnside near Bristol and at Billingham on Teesside in the north-east.

# MPs back decision not to refer Nestlé bid

By Peter Riddell, Political Editor

MR KENNETH Clarke, the Industry Minister, yesterday addressed cross party concern over a possible wave of foreign takeovers of leading UK groups by stating that the nationality of the ownership of companies is increasingly irrelevant.

The Government had a comfortable majority of 98 at the end of a half-day debate on the Government's decision not to refer the bid by *Nestlé of Switzerland* for the Rowntree confectionery group to the Monopolies and Mergers Commission. About 10 Tory MPs abstained, mainly members from Yorkshire constituencies near the Rowntree headquarters.

The opposition Labour spokesmen, Mr Bryan Gould and Mr Tony Blair, and several Tory MPs warned that the Rowntree decision could open the way for a wave of takeovers by foreign companies. They cited, in particular, Cadbury Schweppes (in which General Cinema of the US has a near 18 per cent stake) and other food groups, as well leading pharmaceutical companies.

In a robust reply, Mr Clarke said Labour's objections reflected a "little England" mentality and said that the nationality of companies was becoming "increasingly irrelevant in modern trading conditions." Arguing about the nationality of a company was "chauvinistic nonsense."

He defended the operation of the capital market in which the free flow of capital determined the best use of resources and tested management.

Mr Bryan Gould, Labour's trade and industry spokesman, accused the Government of "a dereliction of duty" by putting "huge numbers of British companies at risk."

Mr Malcolm Bruce, the Social and Liberal Democrat industry spokesman, called for changes in mergers policy to shift the onus of proof in merger decisions so that gains for the consumer interest would have to be proved.

The position of Cadbury Schweppes was highlighted by Mr Anthony Beaumont-Dark and Mr Denis Howell, Tory and Labour MPs respectively from near the company's Bournville plant, who warned that Britain *faced the possibility of losing* ownership of almost the entire chocolate-confectionery industry.

**Charles Leadbeater adds:** Officials of Rowntree unions, the GMB general union, the TGWU general union and Usdaw the retail and distribution union, yesterday called on the company to seek guarantees on future employment levels in talks with either bidder.

# Amstrad-Murdoch alliance aims at Europe

BY HUGO DIXON

Europeans will be able to view up to four more television channels from next February by paying less than £250, as the result of an alliance between Mr Rupert Murdoch and Mr Alan Sugar.

At a joint press conference in London yesterday, Mr Murdoch confirmed that his Sky Television satellite arm had secured space for four channels on the Astra medium-powered satellite, which is to be launched in November.

Mr Sugar, chairman of Amstrad, the UK consumer electronics company, who Mr Murdoch described as "probably Britain's greatest entrepreneur", announced that his company would simultaneously start producing large quantities of satellite dishes capable of receiving the Sky TV channels.

The dishes, which will be 60cm in diameter, will retail for £199. There will be an additional installation charge of about £40, but no subscription charge.

Although Mr Murdoch and Mr Sugar have dovetailed their plans, their is no exclusive arrangement either way. They have been able to keep down the cost of satellite TV by deciding to transmit in PAL, the present European broadcasting standard.

Three of the channels will be available throughout Europe, but both Sky TV and Amstrad will concentrate initially in the UK market, where demand is expected to be strongest.

The only multilingual channel will be Sky's sports channel, Eurosport, and there could be problems in getting even this off the ground. Screensport, a rival sports channel owned by WH Smith, has brought an anti-competition action before the European Commission against Eurosport.

Sky's feature film channel, on the other hand, will be confined to the UK, while its news and general entertainment channel will broadcast only in English.

Mr Murdoch said that Sky would be regulated by Britain's Cable Authority. However, it had agreed voluntarily also to abide by the standards on sex and violence which are being developed by Britain's new Broadcasting Standards Council.

Mr Murdoch, however, refused to be drawn on the editorial policy of Sky's news channel, which is to be modelled on the US's Cable News Network.

**Hugo Dixon** examines the latest bid for the satellite TV market

# Potentially lethal pre-emptive strike

THE SATELLITE television alliance between Mr Rupert Murdoch and Mr Alan Sugar, unveiled yesterday, has launched a war over technical broadcasting standards which seems likely to leave some of the participants nursing painful wounds.

Comparing the forthcoming battle to that between Sony and Matsushita for dominance of the video recorder market in the early 1980s, Mr Sugar, chairman of Amstrad, the consumer electronics company, said: "The person that sold more - the person that promoted more - was the winner in the end."

The Murdoch-Sugar alliance is essentially a pre-emptive strike on the British satellite TV market, which seems intended to make life difficult for Mr Murdoch's main competitors - British Satellite Broadcasting and a consortium consisting of Mr Robert Maxwell, British Telecom and W.H. Smith.

The battle will be fought in the areas of price and speed. Viewers will be able to receive Mr Murdoch's four Sky TV channels by paying £200 (about $360) for a receiving dish made by Amstrad. This compares with about £1,000 for the present generation of receiving dishes and probably £400-£500 for the dishes that will be needed for Sky's rivals.

Sky also has the advantage that it plans to start broadcasting from next February, whereas BSB will not be broadcasting before the end of next year. The Maxwell consortium has no firm date yet.

The main thrust of the Amstrad/Murdoch attack is in the UK, where the bulk of its business is expected to remain. However, Sky plans to broadcast to Europe, using a slightly different mix of programmes to that for the UK.

Amstrad expects to have sold 1m dishes in Britain by the end of 1989, and a further 1m annually thereafter. The company has already received an order for 500,000 dishes from Dixons, the consumer electronics retailer.

Mr Murdoch has been able to achieve the double benefit of lower cost and earlier start by taking the controversial decision to transmit Sky's programmes in PAL, the existing European broadcasting standard. BSB and the Maxwell consortium are planning to transmit in D-Mac, a more sophisticated standard.

There are two problems with D-Mac. First, the microchips needed to decode signals sent in D-Mac and convert them to the present PAL standard will not be available in large quantities until next year. Second, the cost of *adding such a decoding device* to satellite receiving equipment is expected to double the price to the consumer.

There also the fear that D-Mac will have difficulty getting off the ground if a large number of viewers are already committed to PAL. Although the Amstrad dish will be adaptable to receive D-Mac, it remains to be seen whether consumers will be prepared to pay the extra cost.

Rupert Murdoch at yesterday's launch of the new consortium

Analysts said that BSB was likely to be worst hit by Mr Murdoch's aggressive move. One possibility is that the rival consortiums might switch to PAL temporarily. There have been indications that the Maxwell grouping may be reconsidering along these lines.

BSB, however, seems to be sticking to its guns. It also denied that Mr Murdoch's decision would cause it any problems in completing a £400m financial package planned for next year.

Despite Mr Murdoch's pre-emptive strike, there are three major question marks hanging over his project.

- Will the Astra satellite be successfully launched in November? Amstrad is safe from this worry because Astra and Mr Murdoch have indemnified it against a failed launch.
- Will Sky TV be able to get good quality programmes? W.H. Smith has already challenged Sky's planned Eurosport channel through the European Commission on the grounds that its alternative Screensport channel is *being unfairly denied access to* sports events.

There could also be problems gaining the rights to broadcast enough feature films, because many have already been sold to continental cable TV channels.

- Can satellite TV be a commercial success if it is free?

Mr Murdoch said that he could earn enough revenue from advertising once there were 3m-5m British homes with dishes and that he expected to achieve this critical mass within three years. Nevertheless many analysts believe Sky will need to charge, at least for the feature film channel, if it is to be profitable. This is not, however, possible with the PAL standard.

CIT Research, the specialist communications analyst, is therefore predicting that, once Mr Murdoch has dealt with the competition and built up a sufficient viewing base, he will turn to D-Mac after all.

# SE agrees procedure to select chairman

By Clive Wolman

THE STOCK Exchange Council has this week approved a secretive and tortuous procedure for ensuring the "emergence" of a suitable new chairman to replace from Sir Nicholas Goodison within the next month, three months before the official elections are due to be held.

With due deference for Stock Exchange tradition, the procedure will feature soundings by two scrutineers followed by a postal ballot of Council members, followed in turn by several rounds of on-the-spot Council ballots, held one immediately after the other until the chairman emerges, Vatican-style. The procedure is thought to be the brainchild of Sir Nicholas and Mr Martin Fidler, the Stock Exchange secretary.

The purpose of the procedure is to avoid anything as vulgar as an election contest, let alone a public campaign, and to reassure candidates that they will suffer no embarrassment if they lose, *because nobody is supposed to* know that they stood in the first place, not even the electors.

The first stage, to be held in a few days towards the end of June, will be supervised by the two scrutineers, both Council members, who are Mr Graham Kennedy and the Honourable Nicholas Assheton.

The two men will speak to all members of the Council about their own aspirations and their opinions of the capabilities of the others and of possible outsiders. As a result of their soundings, they will post to Council members a list of 10 or so possible candidates and ask each one to select five.

Shortly afterwards, the 35 Council members will meet to be informed of the five candidates who received the most votes and their views on whether they wish to stand. Voting between the five will then take place.

The outside world will then be informed that a new chairman designate has emerged who will be groomed as successor to Sir Nicholas when he retires in December.

# Vote against hanging takes on strong element of ritualism

BY PETER RIDDELL

HOUSE of Commons debates on capital punishment are one of the rituals of parliamentary life. *Their outcomes* are wholly predictable - with restoration being defeated by more than 100 votes - following speeches which tend to be rambling and lacklustre.

Tuesday's debate, ending with a 341 to 218 margin against capital punishment, was no exception. The poor quality of the debate reflected the certainty of the conclusion.

Yet the final vote did provide a revealing insight into the changing nature of the Conservative Party. At one level it confirmed how Mrs Thatcher's views in favour of restoration do not hold sway on free votes and moral issues. Not only did the Cabinet vote 2-to-1 against capital punishment but so did both Mr Peter Brooke, the Conservative Party chairman, and Mr Cranley Onslow, the chairman of the 1922 committee of Tory members.

However, the figures illustrate how Conservative MPs have become steadily more Thatcherite in their views on moral issues like capital punishment. Among those Tory MPs elected before the 1979 general election, the split in favour of restoration was only 68 to 65. But the balance among those entering parliament since then was 139 to 49.

Not only does this reflect changes in the attitudes of younger Tory MPs, but also the pressure of local Conservative associations, which are reported invariably to raise the question at selection conferences of potential parliamentary candidates.

Some of the younger Tory MPs who spoke on Tuesday offered a definition of their role closer to Mr Tony Benn's than the party's traditional Burkean view of the independent representative (already somewhat qualified given the power of the party's parliamentary managers).

Mr Tim Devlin, the young Conservative member for Stockton South, in the north east, said he was not personally in favour of the reintroduction of capital punishment but 86 per cent of his constituents were. "I regard my conscience as being no superior to that of my constituents," he said.

A feature of Tuesday's debate was how few MPs believed it was any longer conceivable that someone could be executed. To some extent everyone was going through the motions.

Nevertheless, the issue will probably be raised again, every year or two, when an opportunity is presented to amend a government law and order bill, or following some horrific murder or terrorist atrocity.

Yet the debates are not just a pointless ritual. As Mr Douglas Hurd, the Home Secretary, noted in one of the few high-quality contributions on Tuesday, these debates "may deflect our attention and energies from the real issues of how to check and reverse the general rise in violent crime which has continued since the mid-1950s."

Yet if the supporters of capital punishment are in danger of deluding the public by raising expectations and appearing to promise remedies to complicated social problems, the Government now has an even greater responsibility to deal with the underlying worries about rising crime. The debates about capital punishment are a sideshow to this major, and growing, political issue.

# Government 'will not curb access to consumer credit'

BY RALPH ATKINS

GOVERNMENT action to restrict the availabilty of consumer credit was ruled out yesterday by Mr *Francis Maude, minister for corporate affairs.*

Mr Maude told a conference in London that it would be wrong to impose restrictions on credit in order to protect a small proportion of borrowers from the consequences of their own decisions.

Regulations would be tightened, however, to ensure that borrowers were fully aware of both the costs and possible consequences of credit agreements, he said. The *key to more responsible* borrowing and lending was to provide better information about credit and to educate borrowers.

"Credit offers great benefits for the vast majority of consumers for whom it is a servant and not a master, and it gives people the freedom and flexibility to manage their financial affairs in the way that suits them best," he said.

He said there were "encouraging signs" that consumers were being more more selective about credit terms and that competition in interest rates was starting to become a reality.

Mr Maude was speaking at a "*cards on the table*" *conference* organised by the Money Management Council, a charity promoting public information on personal finance, and Lovell White Durrant, the City law firm.

The Department of Trade and Industry was revising rules about the calculation of annual percentage rates shown in advertisments for credit facilities.

Under the proposed changes, expected to take effect at the end of the year, the advertised cost of credit agreements will have to include brokers' fees.

Mr Maude said he was also proposing that advertisments for secured loans *will have to* contain a clear indication that the loan is secured on the borrower's home which might be at risk in the event of default.

*Earlier, Mr Peter Warburton,* economist at Shearson Lehman Hutton, the securities house, said consumer debt totalled about £250bn. Of this, at least half was accounted for by mortgages.

However, there were problems for some individuals. Repossesions of building society mortgages had risen sharply and debt-related *problems* referred to Citizens Advice Bureaux have "risen astronomically".

# Degree council to urge language study in business courses

BY DAVID THOMAS, EDUCATION CORRESPONDENT

THE COUNCIL for National Academic Awards, responsible for degree courses outside the university sector, is to recommend that all business students should study a foreign language as part of the preparation for the internal European market in 1992.

It also plans to recommend that business students on sandwich courses should spend at least part of their time on an overseas secondment.

The CNAA monitors 130 business-related degree courses in 120 polytechnics and colleges. These courses include business studies, accounting and secretarial studies.

While the CNAA cannot instruct colleges to include particular components in degrees, its advice is likely to be influential.

Mr Ken Bromfield, CNAA assistant registrar for business studies, said the council was planning this move because it was aware that language skills would be increasingly important in business as the common internal market approached.

In guidelines to be issued in the autumn, the CNAA is likely to advise colleges to equip students to cope with certain standard business requirements, such as discussing a contract in a foreign language.

It is also likely to suggest that all business students are taught about the business environment in key countries.

# City companies win community aid awards

BY HAZEL DUFFY

*EAST LONDON schools, rented* housing on the City of London's fringes and Brixton workshops all figured prominently yesterday when the *Lord Mayor of London* presented the first Dragon Awards for business involvement in the community.

The awards, small statuettes modelled on the City's heraldic dragon, were introduced by the previous Lord Mayor of London, Sir David Rowe-Ham, to draw attention to the efforts of some companies to help the less privileged. Prizewinners received their trophies at a banquet last night at Mansion House, the Lord Mayor's traditional residence.

Forty schemes were submitted from companies either based in the City or with some connection there. They represented private *investment in community* projects of more than £15m.

The winners came from Whitbread, Mercury Asset Management, Halifax Building Society, Barclays Bank and the Forbes Trust set up by Mr Forbes Campbell.

Business in the Community, (BiC)which administers the awards, says the judges "wanted a balanced portfolio, which showed genuine innovation, *which* reflected well on the role that City companies can make, and which made an impact on the community."

*Sir Greville Spratt, one of the panel of judges, against the City of London skyline yesterday*

The judges were Sir Greville Spratt, Lord Mayor of London; Mr Robin Leigh-Pemberton, Governor of the Bank of England; Sir Nicholas Goodison, chairman of the Stock Exchange; Sir Hector Laing, chairman of BiC; and Mr Geoffrey Owen, editor of the Financial Times.

Senior managers were involved in several of the schemes. Mr Amir Bhatia, of the Forbes Trust noted that postgraduate students needed to have their academic work typed cheaply. He matched the need with that of unemployed youngsters in the East End of London to receive training in word-processing skills.

The result was Project Education fund. The Forbes Trust put in a manager and deputy, provided offices and word processors. With support from the Manpower Services Commission and Project Fullemploy, it hopes to service all universities in the next five years.

Mercury Asset Management wanted to help young people to start businesses and guide them in their management as a demonstration that the City ethos can work elsewhere.

Talks with the South London Business Initiative, set up by the private aector to co-ordinate activities in this part of London, led to workshops in Brixton Road for under-25s being identified as a *suitable project. Mercury* has committed £50,000 funding for each of the next four years.

Whitbread, the brewers, concentrated on education. The *emphasis* in the East London Compact, which involves the Inner London Education Authority, the London Enterprise Agency, and employers, is on closing *drawing* together schools' and businesses' perception of education, said to Mr Freddie Jarvis, the East London Compact manager seconded by Whitbread.

Barclays Bank is encouraging young people to contribute to their local communities through Youth Action. *Last year, it* gave £350,000 to 30 projects submitted by groups of youths, themselves often from disadvantaged areas and backgrounds, who had thought up schemes.

Halifax Building Society has pioneered ways of funding development of affordable housing.

# CBI says more mergers will help UK to compete

BY RICHARD EVANS

THE GOVERNMENT was urged yesterday by Sir Trevor Holdsworth, president of the employers' organisation, the Confederation of British Industry, to promote through its merger policy the creation of more UK industrial giants to compete on world markets.

"We need a competition policy which does not frustrate Britain's need for the creation of more internationally competitive, very large, product and market orientated companies comparable to the giants of the US and Japan," Sir Trevor said in his first major speech since being elected CBI president.

Sir Trevor Holdsworth: bigger companies needed to compete

He argued that mergers were most successful in the long term where people came together in the same field. Competition policy had been a barrier – and not only in Britain – because it took too narrow, and usually a nationalistic view of the market.

"You end up with the contradiction that if you know something about the business you want to acquire, you are not allowed to acquire it. Only if you do not know anything about it are you allowed to buy it," Sir Trevor said at the CBI's south east region annual dinner in Surrey.

This had happened in the US to avoid anti–trust legislation in the 1950s and 1960s, when huge conglomerates were spawned, but hardly any had survived. "Most have gone under and been broken up and their parts distributed to others in the same businesses. It is a long and painful way to get the right results."

Sir Trevor also emphasised the important role the British manufacturing sector played in providing internationally tradeable goods. It provided a greater export contribution than banking, insurance and oil put together.

"As we face a possible increasing trade deficit, we should heed the American situation where they may have let their manufacturing sector shrink too far to provide capacity for correcting their deficit, even though the dollar is now at a satisfactory level for exporting," he warned.

# Scottish unions query coal imports policy

BY JAMES BUXTON, SCOTTISH CORRESPONDENT

THE SCOTTISH Trades Union Congress yesterday called for an investigation into the cost to the taxpayer of the South of Scotland Electricity Board's strategy of importing foreign coal.

The STUC believes that the coal imports are uneconomic and that the policy is one of "brinkmanship" in the SSEB's dispute over coal prices with British Coal. It is seeking an assessment by the House of Commons Public Accounts Committee.

The two state-owned bodies are involved in delicate negotiations on the price of future coal supplies to Scottish power stations. But while talks continue, the SSEB is importing foreign coal to burn in the Kincardine power station on the Firth of Forth on the east coast of Scotland, the smallest of its three coal-burning power stations.

The first shipments arrived from Rotterdam at the ports of Grangemouth and Burntisland on the Firth of Forth last month and the STUC claims that some 25,000 tonnes have already been imported.

It said yesterday that a 25,000 tonne shipment was en route from the US and that a bulk carrier was currently bringing 50,000 tonnes of coal to Scotland from China.

Though the SSEB has argued that foreign coal is considerably cheaper than that from British Coal, the STUC claimed that the operation was not economic. Because the ports used are small and not fitted for bulk handling, the coal is being imported in uneconomically small shipments and both unloading and transport costs are high. The Kincardine power station was inefficient and obsolete, it said.

THe SSEB has agreed not to burn foreign coal at its two larger and more efficient coal burning plants, Longannet and Cockenzie, for a three-month period ending in early July.

The SSEB refused to discuss the allegations yesterday or comment on coal shipments. But Mr Donald Miller, the board's chairman, has stated that he intends to bring in 1m tonnes of foreign coal this year in order to reduce the cost of operating its coal-fired power stations. He has repeatedly warned British Coal to reduce its prices if it wants to continue supplying the SSEB.

Power industry sources say that the SSEB and British Coal are coming nearer agreement in their negotiations. The SSEB is apparently prepared to buy 2.5m tonnes of coal from British Coal at the prices it is currently paying the for supplies. But this quantity is little more than half the 4.5m tonnes which the SSEB bought last year.

The SSEB is saying that if it is to buy more supplies from British Coal it must be at a price which enables it to export the power thus generated to England on a profitable basis.

# Computer error weaves web of confusion

BY RALPH ATKINS

WHAT A tangled web a computer network can weave. Not only are the great majority of British households unaware of their total weekly expenditure, but Government computers have got it it wrong as well.

Owing to "the discovery of a fault in one of the computer programs" (a mistake), the Department of Employment has had to revise its latest estimates of the pattern of consumer spending.

The Employment Gazette, the department's official journal published yesterday, shows the average household did not spend £185.02 a week in 1986.

They did not spend 7.8 per cent of their outgoings on clothing and footwear. Nor did the average household have a weekly income of £233.68.

Neither is it the first time the department's computers have spouted spurious statistics.

In December, it admitted that a programming mistake meant it had been underestimating the retail price index – from which the inflation rate is taken – for 18 months.

That slip was estimated to have cost more than £100m in compensation to recipients of state benefits and other index-linked payment.

The latest error means the average household is precisely £6.92 worse off than they previously thought.

Family expenditure surveys are used to calculate weights for the retail price index. But the department said the mistake would have no impact on the official inflation rate. It was a completely separate and original mistake for which there was no easy explanation.

"It was just one of those things. It just happened," said an official.

The error arose because individuals' spending on business expenses was incorrectly included. There was also some double counting of purchases under credit arrangements.

Income data used in the survey was not affected by this slip but a subsequent correction has been included in the revised results. The effect was to increase the average household income by 2p.

# Report finds raised leukaemia incidence near nuclear plant

BY MAX WILKINSON, RESOURCES EDITOR

THE NUMBER of young people who have suffered from cancer of the bone marrow (leukaemia) near Britain's nuclear reprocessing plant at Dounreay, in Scotland, is higher than national rates, an authoritativa report published yesterday has said.

The report finds no evidence to connect the higher incidence of leukaemia to radioactive discharges from the plant and notes that the sample is too small show a statistically clear difference.

The report, by the Committee on Medical Aspects of Radiation in the Environment under the chairmanship of Professor Martin Bobrow, says more research is needed to establish the cause of the higher incidence.

The committee says that six cases of leukaemia were registered among people below the age of 24 within a 25 km radius of Dounreay between 1968 and 1984.

That was twice the number of cases that would be expected on the basis of national rates, but because the sample was so small, the difference was not statistically significant.

However, when account was taken of two other cases of leukaemia that were incorrectly diagnosed at the time, the committee believed that an excess of the disease had occurred.

The committee says: "Although chance effects cannot ever be completely ruled out, we are mindful that a raised incidence of this disease at these ages has been reported near Sellafield [in Cumbria], the only other nuclear reprocessing plant in the UK.

"Notwithstanding the differences between the sites and their surrounding areas and local circumstances, the fact that there is clear evidence of an excess incidence of leukaemia in young people in the areas around both sites makes it less likely that these are chance occurrences."

However, the committee believes that official figures for discharges of radioactive materials from Dounreay are probably an overestimate. That represented only about 1 per cent of the total radiation dose received by the population including background radiation from the sun.

On present knowledge, it says, the risk of leukaemia attributable to total radiation, including background radiation, would only represent one case among the 450 young people in Thurso between 1950 and 1984.

In a comment on the report yesterday, the UK Atomic Energy Authority, which runs Dounreay, said it supported the proposal for further research.

# Co-op bank emerges as first potential suitor for Girobank

BY DAVID BARCHARD AND IAN HAMILTON FAZEY

POTENTIAL BIDDERS for Girobank, the post office banking subsidiary which is to be sold by auction this autumn, were slow to emerge yesterday, with the exception of the Co-operative Bank which said that it was "interested, but waiting to see the figures."

The City of London was generally cautious about prospects for the Girobank sale. "I doubt that many financial institutions would be interested in it, be they British or foreign," said one bank analyst.

"We shall be extremely wary of it," he said, listing several features of Girobank which could deter potential purchasers. These included its small market base, its lack of infrastructure, its small volume of corporate lending and its lack of a branch network its banking is done over Britain's 20,000 Post Office counters.

One foreign banker said that he believed that many foreign institutions, especially the Japanese banks would be put off by what he called Girobank's down-market image. "Status is very important for Japanese banks and I do not see any major Japanese bank wanting to enter the UK market in this way," he said.

The Bank of Scotland, thought by some to be a possible contender to buy Girobank, ruled itself out yesterday saying that it was "highly unlikely" that it would be seriously interested in buying Girobank.

However, the Co-op Bank, a co-operative bank sponsored by the trade union movement and Unity Trust, another trade union sponsored bank, were actively considering buying Girobank with the backing of the Union of Communications Workers. The UCW, which represents 165,000 post office workers, said yesterday that it had been negotiating a management-union buy out with the Girobank management for the last six months.

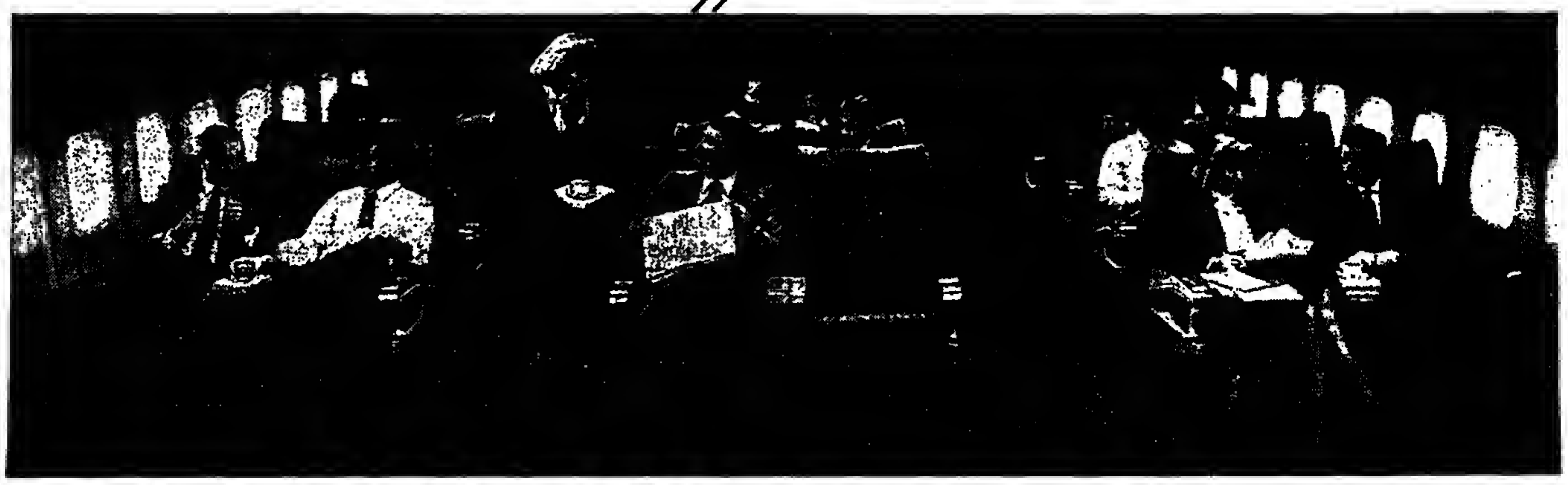
Talks between Co-op Bank and Girobank have also taken place recently but were described yesterday as "friendly but unsubstantive."

Co-op Bank, which processes cheques for Girobank in the clearing system and has a relatively limited branch, looks like the most natural partner for Girobank to emerge so far.

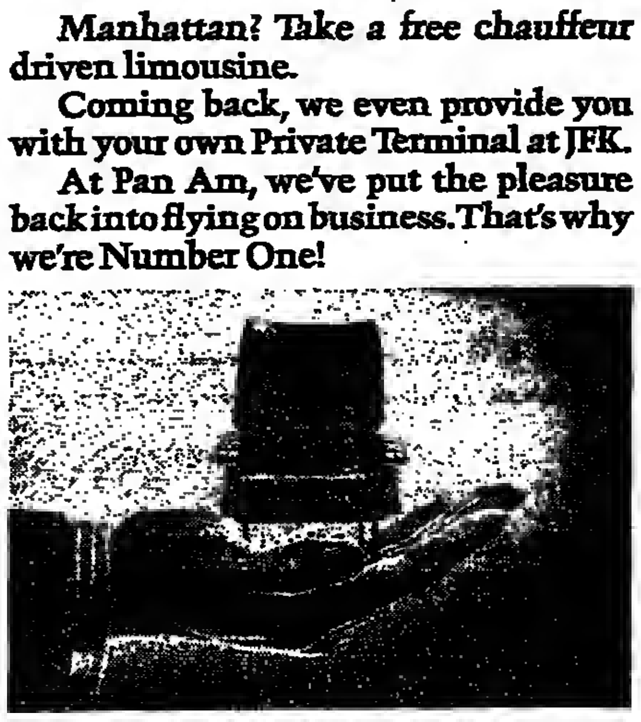
Both banks claim to have an innovative attitude to retail banking, and while the Girobank trades across Post Office counters, the Co-op operates through its nationwide grocery stores.

A merger with Girobank might plug some of the Co-op Bank's gaps in southern streets. Both banks have strong corporate customer bases among multiple retailers.









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# ARTS

## London Sinfonietta/Elizabeth Hall

**Andrew Clements**

If the South Bank "Endgames" celebration had justified itself in no other way, Tuesday night's London Sinfonietta programme would have offered reason enough for its existence. It consisted of three of this century's unassailable masterpieces, all of them indisputably late works, and all delivered here with immaculate incisiveness under David Atherton.

The thematic link between Stravinsky's *Requiem Canticles* and Shostakovich's Fourteenth Symphony is clear enough: both face death unblinkingly. As Paul Griffiths's programme note emphasised, the *Canticles* is about the simple fact of coming to terms with it, not at all about bereavement, and so offers a nerveless objectivity that is echoed in Shostakovich's profoundly disturbing sequence of settings. The work which prefaced them was "late" in another sense: Webern's Op.30 Variations are not at all valedictory, though they were to be followed only by the second Cantata in his output there is no sense of summing up, merely a comprehensive demonstration of the refinement and coherence of his late serial technique.

The work was laid out by Atherton with exemplary clarity and finesse, properties which he applied with equal accuracy to the *Requiem Canticles* and its allusive skein of back-references to earlier phases of Stravinsky's career. The London Sinfonietta Chorus and soloists Jean Rigby and Nicholas Isherwood sustained the sense of imploded catastrophe which hovers over every bar with fine intensity; the Sinfonietta instrumentalists treasured each detail with the respect necessary for music in which a single sforzando must carry the expressive weight for which an earlier requiem composer might easily have mustered a full set-piece chorus.

Shostakovich's Fourteenth is now almost 20 years old, yet becomes no easier to assimilate, while its implications remain as refractory to everyday experience as ever. It was sung in what seems to have become the preferred version, with all songs in Russian translation; Isherwood, not ideally dark-toned enough but alive to every dramatic detail, was joined as soloist by Adrienne Csengery, always managing to wrench every scrap of emotion from the texts. The core of the work is its set of Apollinaire settings, and both singers sustained them as an horrific sequence of brightly lit visions in which the percussion interjections were a menacing constant presence. Isherwood, underpinned by Atherton's careful terracing of the string textures, made the single original Russian setting, Küchelbecker's "Delvig," with its echoes of Shostakovich's own *Fifth Symphony*, even more intensely Mahlerian than usual. It's hard to conjure a bleaker concert pairing than of these two works but here, in such uncompromising performances, they became a searingly memorable and coherent whole.

## Young Writers/Theatre Upstairs

**Michael Coveney**

This annual event in the Royal Court's upstairs theatre has become an invaluable item on the calendar since its initiation in 1973, mainly due to the vitality of the young talent involved and partly thanks to the continued support, since 1984, of Rank Xerox.

In past years I have noted the results of budding playwrights who have overdosed on Beckett, Pinter or Bond. But there are no routine photocopies this year. With varying degrees of success, the three plays bear witness to each writer's unsullied, refreshing belief that the theatre is a place where anything can happen.

*Lolita's Way* by Soraya Jintan (19 years old, studying for A-levels in St Alban's) tells how an Asian teenaged girl sidesteps her *parents' decree of an arranged marriage* by tracking down the English girlfriend who has had a child by her proposed husband. The composition is brusque and cinematic; amazing how the screen tricks of jump-cut and cross-fade have been easily assimilated by the new television-watching generation. A dinner scene for the two families is mimed as a commentary on Lalita's determination to make her own choices.

*Mohair* by Jonathan Harvey (19 years old, second year Psychology and Education student at Hull University), is a more complexly structured piece about another sort of foiled romance, but this time between two lovers on the same side of the fence. This is a compressed Ulster tragedy triggered by a chance meeting in a toy factory, where Hilary has taken her father's old ventriloquist's dummy to be repaired. She has a mentally retarded brother in tow. The apprentice, Paul, is a disadvantaged orphan who resorts to a hideous murder in order to try and impress Hilary. She in turn is abused by her drunken father. The convergent stories are strikingly exploded in a sequence for five inter-cutting characters slipping easily from monologue to dialogue.

Finally, *The Burrow* by Hannah Vincent (22 years old, graduate in Drama and English at East Anglia University) is a delightful, wacky domestic fantasy concocted on the back of Kafka's short story *The Burrow*. The tale is opened by the paranoid defensive rabbit (Dona Croll) in a spotlight and immediately opens out into some extraordinary farcical, hybrid derived from the children's television programme *Rainbow* and one of those pop interior paintings by Richard Hamilton showing the ideal family up to its neck in consumer detritus and household appliances. Tracksuits and special offers abound, as do visions of good life propounded by a passing salesman (Paul Bhattacharjee) to off-set the tunnel vision of Kafka's trapped animal.

Dona Croll and Paul Bhattacharjee in "The Burrow"

"Double Portrait" by Steven Williams, of himself seated beside Anne Cundell, which was commended by the judges

## The John Player Portrait Award/William Packer

# Broadened visions

Yesterday the 59 paintings that reached the final stage of the 9th annual John Player Portrait Award, chosen from an initial entry of well above 700, went on show at the National Portrait Gallery (until September 4). Allan Ramsay, a young Scottish painter two years out of Glasgow School of Art, is the winner of the competition, for which he receives £8,000 in cash and a commission from the Gallery, worth £2,000, to paint a portrait for its contemporary collection.

It is a handsome award by any measure and one of the major events in the British art calendar. Though other prize exhibitions have caught it up and even outstripped it in recent years in monetary terms, it has, if anything, gained in prestige as the quality of the work it attracts has been confirmed and consolidated. For the great thing about the Portrait Award is that it really has changed both the general critical view taken of the portrait as a legitimate subject for the contemporary artist, and, which is perhaps more important, the view taken by so many younger artists of the wider potential of their profession.

The stimulus could hardly have come at a better time. The figure and the head had been a central study in the old British art schools right up to their dissolution in the early 1960s. Even then, a curious prejudice had grown up against the portrait as such as being somehow compromised, unserious, academic, above all unmodern; and with the subsequent banishment of the life model from the studios, even the technical experience of study was dismissed. It is by no mere chance that Scotland, where that older order with its strong technical bias proved more resilient in the face of academic fashion, has supplied so strong an entry over the years, and at least three winners of the Award.

Never mind: the portrait requires the close consideration of the model, and not merely as a model but as a unique and individual presence. What better discipline can an artist so readily contrive for himself? The proof is in the nature of the constituency that the Portrait Award has cultivated over the years. There is no doubt that the money it offers has concentrated many minds, but it remains impressive that although it has attracted many artists who would anyway have set themselves up in the narrower field of *soi-disant* portrait painters, so many more have been artists who now see the portrait as simply another interest and opportunity.

This year, for the first time since 1982, I was not *parti pris*, not a member of the jury. My experience was that the standard at the winning end very soon reached an admirably high level across a wide range of pictorial possibilities. To look back across *past winners and runners-up* is to be clear there is no such thing as a John Player type of painting. That such a standard should have been maintained this year is no surprise, but even more gratifying has been the growing strength of the show throughout, which this year is impressively apparent. There is no less variety than before, but there is rather less idiosyncracy, which one may regret – and certainly less that is doubtful or lucky to be included, which is not to be regretted at all.

As a veteran of the event, privy to the mysteries of the system and the vagaries of a large jury, I feel free to mark my own card without taking anything from Ramsay, whose large self-portrait is a worthy winner. But I was also most impressed by the large seated figure of Seamus Heaney, by Peter Edwards, an ambitious essay in the grand manner which took the third prize. And Steven Williams was unlucky to be merely commended by the jury for his "Double Portrait," of *himself seated beside Anne Cundell*, the most strongly drawn and intensely realised, almost Freudesque – one cannot say Freudian – images in the show.

Other paintings, large and small, that I liked particularly are by Denis Hanslip, Mark Carr, Fred Crayk, Hester Cordwell, Michael Clark, Helen Jago, Per Parkes, Emily Patrick, Jean-Paul Tibbles, Terence Wilson-Fletcher and Joanna Wright. My only grouse with the whole thing is that I do feel it is now time to ease the age-limit up a bit from the present level set at forty.

## Macbeth/Covent Garden

**Max Loppert**

Verdi longed for performances of his works in which the *tutt'insieme* – the fusing of dramatic and musical impulses into a single theatrical entity – would be the working principle. The Royal Opera revival of *Macbeth* doesn't quite realize that goal: Elijah Moshinsky's production, at once starkly grandiose and superficial, shirks any such unification of purpose (even when ably rehearsed by Jeremy Sutcliffe), and the acting styles of the principals have not been tuned to complement and play off each other to the full.

But in most other respects Tuesday's was as powerful a Verdi performance as the house has given in many a long season. And, indeed, there was a single dominant intelligence overseeing it, as there is whenever Edward Downes is given charge of this opera at Covent Garden. Mr Downes is not a showy conductor (which is perhaps why his gifts are too little exploited); he feels no need of the slam-bang, the gusts of sweat and steam, that immature Verdians deem necessary for the generation of excitement in the earlier operas.

Every interpretative decision – tempo choice, rhythmic articulation, blend of timbres – that this conductor takes is part of a larger plan, and it is executed with unerring control of form and style, carefully directed energy, instinctive support of solo voices, and total mastery of orchestra and chorus (singing with rare vigour and solidity). The particular *tints* of this opera, made out of the contrast of hard dark and bold bright colours, obviously holds a strong imaginative appeal for Mr Downes; under his baton an uneven Verdi opera is made to seem one of the handful of essential Verdi masterpieces.

The production has a new leading soprano, and rejoices in her exultant vocal freedom. Note for note (apart from a missing final top D flat) and phrase for phrase, Elizabeth Connell's is the most cleanly and brilliantly sung Lady I have heard in the opera house. She sends her voice out with absolute and thrilling confidence in its carrying and cutting power, in its wide range of colour and dynamics (Miss Connell hasn't hit this sort of vocal stride here for several years). The dramatic overview of the role is ambitious, complete with chilled sideways smiles, slow arm rotations, and, while she tastes to herself the voluptuousness of power in "La luce langue" a sly self-hugging. A final paring-down of detail is wanted; but I'd rather a singer showed too much dramatic ambition than too little.

Gwynne Howell, new to Banquo, sings with the melancholy beauty of bass timbre that his music requires (he is not happily sited for his aria); Dennis O'Neill's Macduff is familiar, well-routined, and strongly sung in the mimetic Italian manner the tenor has made his own. The performance is crowned by the Macbeth of Renato Bruson, perhaps a shade more loosely knit in tone than in the past, but even subtler in his fusion of word and line, his translation of Verdi score-markings into vocal perceptions of character. This is a *Macbeth* – and a *Macbeth* – in which the company can take justifiable pride.

Alastair Muir

Elizabeth Connell and Renato Bruson

## Postcard from Morocco/King's College

**Paul Driver**

The American composer Dominic Argento's sixth opera, *Postcard from Morocco* (1971) was given on Tuesday in the New Theatre at King's College by Morley Opera as part of the London International Opera Festival, and proved a zestful if slightly baffling affair. The libretto, by John Donahue, creates a single situtation – the waiting-room of a station in Morocco from which at least seven characters with their luggage are trying to depart. Each produces from his luggage the secret, so to speak, of his life, or at least his fantasy life; a great deal of zany inter-personal relationship is the result.

Much of the latter seemed arbitrary flurries of action, convenient song-and-dance routines, or gymnastical formations using the only constituent of the set, a shiny bench. Sometimes one could follow the (always fluently staged) movement-sequences: at the beginning, for instance, when two oversized schoolboys – incidental characters – pretend they are sailing at sea, and the rest of the cast joins them in a nautical improvisation complete with echoes from the pit orchestra of *The Flying Dutchman*.

When one could not easily follow what was happening, the stage-patterns nevertheless had an elegance and absurdist wit which reminded me of the madcap music-theatre of Maurizio Kagel, or else, given the additional stimulus of deadpan lines like "Isn't this an odd label in the corner here," of Virgil Thomson's Gertrude Stein operas.

It was, by a hairsbreadth, not too long an evening, and a certain amount of poignant feeling was generated, as by the Lady with a Cake Box's aria (sung by Sarah Vivian) or the long solo of *the Man with a Paint Box* (Lynton Atkinson). Argento's score is a brilliant concoction – operatic parody, cabaret music, and a flexibly dissonant middle-style. I particularly liked the Straussian pastiche to which a pair of Operetta Singers (Lucia Gomez-Santana and Jonathan Nott) floated in and out. Carole Court gave of some sturdy coloratura singing; Robert Torday as a Puppet Maker had an easy grace in his brief appearance; Stuart Hutchinson conducted with effective force; and the director was Nicholas Till.

## Financial Times centenary photographic exhibition at Lloyd's

The Financial Times centenary photographic exhibition is at the Lloyd's of London visitors gallery, Lime Street, EC3 until July 1.

There will be a private viewing for FT readers on Wednesday, June 15 from 6.00 to 7.30pm. For tickets (maximum two per person) send a stamped addressed envelope to: Miss K Chandaria, Press Office, Financial Times, Bracken House, 10 Cannon Street, London, EC4P 4BY.

## Songmaker's Almanac/Wigmore Hall

**Richard Fairman**

Apart from Prince Albert there are not many royal figures who have successfully committed themselves to music. In devising a programme of music and readings devoted to "Monarchs and the Muse" for the Songmakers' Almanac recital on Tuesday, Graham Johnson had originally intended to build it around songs by royal hands, but he found there was precious little to choose from.

Even as subjects for songs, royalty do not put in many appearances. The Lied is a comparatively private and humble art, in which the majestic outpourings of a King Philip or Boris Godunov are *out of* place. It is probably no coincidence that the most pointed items in the programme were a couple of *full-scale* ballads by Loewe, an interesting choice both for their directly royal (or imperial) subjects and the chance to catch music that is not generally popular here.

The picture of Napoleon in "Die nächtliche Heerschau," marshalling his troops for a midnight parade on the Elysian fields, is Loewe at his most typically atmospheric. This is story-telling that has to catch the audience in its thrall and the Songmakers had fielded a outgoing interpreter in the baritone Henry Herford to inject a sense of excitement, well supported by Johnson as accompanist at his most dramatically intense.

Otherwise the royal figures that turn up most often are those favourite tragic heroines of romantic literature, Britain's ill-fated Tudor and Stuart queens. Schumann's set of five Mary Stuart songs are possibly heard more often than their musical invention might seem to invite, but they received a fresh and affecting performance here from the mezzo, Catherine Robbin: a well-schooled, youthful voice, interestingly dark in the lower register.

Schoenberg's "Jane Grey," from an unexpected source, is a strange find in basically the same historical vein. The soprano Nancy Argenta then followed that with a beautifully poised account of Ravel's delicate "Ballade de la reine morte" and the Queen of the Fairies in Mendelssohn's "Neue Liebe" – a typical Songmakers' gloss on what might have been an uninspiring theme.

## Saleroom/Susan Moore

# High prices for antiquities

Christie's unearthed an unexpectedly rich pot of gold at its antiquities sales yesterday. The Greek and Roman pieces amassed from the late 1930s onwards by the Swedish industrialist Henning Throne-Horst, warranting a separate catalogue, drew buyers and realised amazing prizes. All but 0.8 per cent of the 47 lots were sold for a total of £645,335.

At the centre of the collection was a superb gronp of Attic vases, of very high quality and largely good condition. Well-painted Attic vases with a good provenance are all too rarely seen on the market. One particularly widely-published black-figure oinochoe, decorated with Odysseus and the Sirens, a rare scene in Greek Art until the Hellenistic age, sold for five times the estimate and made the top price of £132,000.

An attractive red-figure kylix, decorated with a frieze of naked figures and palmettes by "The H.P. Painter," and estimated at £25-35,000, changed hands at £77,000. Other Attic pieces sold in the region of £50,000. The other great success of the sale was a colossal gilded bronze head of the bearded emperor Antoninus Pius, possibly Roman and dated around AD 160. This piece, formerly in the Hirsh collection and also well known, went for £99,000 (estimate £40-60,000).

Tha morning's main sala proved less of a success with a number of the most interesting pieces unsold. A heavily restored but beautiful Roman marble statue of Venus Enplaea (2nd Century AD), possibly excavated by Gavin Hamilton at Ostia in 1775, and later in the Rothschild collection at Mentmore, was bought in at £38,000. The same fate awaited the a rare Laconian krater, and the most important pieces of jewellery - Merovingian silver-gilt fibulae or brooches – although a single but rare Greek earring made the astonishing sum of £18,700 (estimate £5-8,000).

The session also contained the 24 ancient Egyptian artefacts collected by Rudolf Valentino's second wife, Natasha Rambova. These sold for £35,179, a magnesite marble group statue of Isis and Harpucrates reaching the highest price of £6,600. The sale totalled £454,322, with 72 per cent bought in.

A recently discovered early copy of the first edition of the first book by Edgar Allan Poe – dubbed "the black tulip of American book collecting" – disappointed Sotheby's by selling below the estimate in New York on Tuesday, but still managed to claim a world record for an American literary work sold at auction. The first edition of "Tamerlane, and other Poems," written in 1821-22 when Poe was 12 or 13, was suppressed, inexplicably, soon after publication in 1827. It was bought by an American collector for $198,000 or £108,256.

The response to the catalogue's invitation to secure "a truly significant collection of 20th century literary papers" produced a record price for a manuscript of the work of a living American author. An agent for an anonymous buyer paid $66,000 (£36,085) for the archive of manuscripts, typescripts, galleys and correspondence relating to Saul Bellow's "Mr Sammler's Planet."

# Arts guide

June 3-9

### Exhibitions

#### LONDON

**The Royal Academy.** Cezanne: The Early Years 1859-72. A concentrated and illuminating study of the formative period of one of the seminal figures of the modern movement. Although Cezanne came to greatness in his middle and later years, his early period is now revealed in all its complexity and contradictory quality, with many great works to set among the youthful experiments and failures. Ends August 21.

**The Royal Academy Summer Exhibition.** The 220th Summer Exhibition in an unbroken sequence and still the largest open exhibition of current painting, sculpture, prints and architecture in the world. With 1,361 exhibits chosen from a submission of something above 12,000, the show is a little smaller than usual, but as dense and bizarre as ever. Daily until August 7.

**Barbican Art Gallery,** Art or Nature. A thorough survey of French Photography in the 20th century as part of the Images de France Festival. The exhibition is especially strong in the attention it gives to the great individual photographers of the period, such Kertesz, Cartier-Bresson, Brassai and Atget. Ends July 17.

**The Hayward Gallery** has two concurrent exhibitions. Angry Penguins is a fascinating study of a group of young painters active in Melbourne during and just after the Second World War; Sydney Nolan, Arthur Boyd, John Perceval and Albert Tucker are all shown in impressive depth. The second, of paintings from the *Phillips Collection in Washington*, is an enthralling selection from one of the great private collections of modern times. Its scope extends from El Greco, to Francis Bacon, but its great strength is in Impressionism and Post-Impressionism – Renoir and Cezanne, Braque and Picasso, Bonnard and Matisse. Both shows run until August 14.

**British Museum,** Ukiyoe – Images of Unknown Japan. This large exhibition of exquisite quality uses work by the greatest masters of the wood-block print to expose the magical "Floating World" of pleasure and the senses that was the city of *Edo (modern Tokyo)* in the *time of* the Shoguns. The period covered runs from the 1600s until the 1880s, when Japan was closed to the outside world. Until August 14.

**National Portrait Gallery,** Paolozzi Portraits. A small but intriguing show of recent work on a subject that has fascinated the Scottish sculptor, Eduardo Paolozzi, throughout his long international career. Of particular interest are the self-portraits. Until August 7.

#### NETHERLANDS

**Amsterdam,** Tropenmuseum. The arts and crafts of Indonesia, illustrated with more than 500 objects in bronze, bamboo, textiles and precious metals spanning 2000 years of cultural history. Ends August 21.

**Amsterdam,** Rijksmuseum. Two hundred of the printroom's finest 15th and 16th century ornamental prints, with designs for jewellery, weapons and furniture. Ends June 19.

**Amsterdam,** Rijksmuseum (rear entrance). Divine Bronzes (some no more than 5cm high) illustrate the stylistic development of Indo-Javanese religious images from the 7th to the 16th centuries. Ends July 31.

**Amsterdam,** Jewish *Historical* Museum. To celebrate the 40th anniversary of the founding of the state of Israel, an exhibition devoted to the theme of light in Jewish ritual, *with lamps and menorahs specially* commissioned from modern Israeli and Dutch artists. Ends June 12.

**Amsterdam,** Vondelkerk. The life and work of the Canadian pianist Glenn Gould in an exhibition which includes screenings of some video recordings never shown before. (Weekends until June 12). (Vondelstraat 120).

#### PARIS

**Galérie Schmit.** French masters of the 19th and 20th century. The discreetly luxurious, three-storey gallery plays host, yet again, to an exhibition spanning a period rich with creativity and diversity. There is a darkly romantic portrait by Delacroix and an almost abstract Nicolas de Stael landscape. There is a rare Pissarro portrait of his son, Lucien, seated against a window and an early Picasso scene in a restaurant. 396, Rue Saint-Honoré (42.60.36.36). Closed Sundays and lunchtime. *Ends July 16.*

**Galérie D'Art Saint Honoré.** A vast allegory of war and peace painted in the atelier of Han Brueghel the elder forms a striking centrepiece of an exhibition of Flemish Masterpieces. 267, Rue Saint-Honoré (42.60.15.08). Closed Sat, Sun, and lunchtimes. Ends June 15.

**Pavillon Des Arts.** The magnificence of silversmiths' work in India during the reign of the Moghuls testifies to their love of luxury. Everyday utensils are chiselled and adorned with filigree open-work as richly as ceremonial objects and armour. 101, Rue Rambuteau (42.33.82.50). Closed Mondays and holidays. Ends July 17.

**Galerie Odermatt-Cazeau.** Guillaumin's deep blue of the Mediterranean *framed by green pine trees and* orange earth entices the passer-by into an eclectic exhibition of some 50 works by the masters of the 19th and 20th century. Monet is there with a Giverny landscape, and an unusually structured Bonnard projects a colourful view of Saint-Tropez through a gap between two tall buildings. 85 bis, Rue Faubourg Saint-Honoré (42.66.92.58). Ends July 30.

#### VIENNA

**Austrian Museum of Applied Arts,** Kunst und Revolution. A rare opportunity to see, under one roof, an exciting burst of creativity by Russian and Soviet artists between 1910 and 1932. The exhibition conveys the sense of energy of the suprematist movement (1913-1915), the Inchuk group of artists based in Moscow (1920-1924) and the constructivists (early 1920s) which were all eventually suppressed by Stalin. Closes June 15.

**Kunstlerhaus,** Public spirit and protest. Biedermeier and Vormarz in Vienna 1815-1848. This is a large and attractive exhibition which evokes the typically Vienna bourgeois mentality. The sense of interior design, especially furniture, during this period *is well-conveyed. Ends June* 12.

**Rathaus,** Wien 1938. Vienna's city hall is commemorating the Anschluss, the German annexation of Austria in 1938, with a large and courageous exhibition which shows how Austrians reacted to Hitler's march into Vienna and the eclipse and eventual destruction of the Jewish culture. Ends June 30.

#### NEW YORK

**American Craft Museum.** An ambitious show that traces the history of American architecture back to the turn of the century and emphasizes the work of artists like Tiffany, Lawrie and Louise Nevelson who *were commissioned to add art to the* architecture. Ends Sept 4.

**Pierpont Morgan Library.** Over 300 items from the life and art of Beatrix Potter show the evolution of the artist and her work. Included are the illustrated letter, discovered only months ago, to Noel Moore that became the basis of Peter Rabbit and the entire sequence of 22 watercolours from The Tailor of Gloucester. Ends Aug. 21

#### WASHINGTON

**National Gallery.** The human figure in early Greek art is the subject of 67 sculptures and pieces of painted pottery, starting in the 9th and 8th centuries BC and ending with the naturalism perfected in the 5th century BC. Ends June 12.

**National Gallery.** To mark the 350th anniversary of the first Swedish colony in North America, a royal treasury covering four Swedish monarchs in the 16th and 17th centuries shows Sweden as a resplendent and aggressive world power through objects and 100 paintings on loan from the Royal Treasury, the national museum and the royal collections. East Wing. Ends Sept 5.

#### CHICAGO

**Art Institute.** A centenary retrospective of the work of Georgia O'Keefe evokes the world of flowers and skulls in the luminous light of New Mexico. Ends June 26.

#### TOKYO

**Tokyo National Museum,** Ueno, Art Treasures of Ancient Egypt. The formal, hieratic art of Egypt is not to everyone's taste, and works often appeal more for their associations with the cult of death or for their lavish use of gold and other precious *materials. This exhibition* gathers important pieces from collections in East Germany. Closed Mondays. Ends June 12.

#### ITALY

**Venice,** Palazzo Grassi. The Phoenicians. The fourth major exhibition at Fiat's imposing art centre on the Grand Canal attempts to give a complete picture of this extraordinary people who dominated trade in the Mediterranean for over 1,000 years before their capital, Carthage, was finally destroyed by the Romans in 146 BC. Organised by Professor Sabatino Moscati and sponsored by the Accademia dei Lincei in Rome, the exhibition has been given a highly theatrical presentation by the architect, Gae Aulenti, and the 750-page catalogue, published by Bompiani, is excellent. Until Nov 6.

**Venice,** Fondazione Cini (Isola di S. Giorgio). Paolo Veronese. An intelligently-presented exhibition to mark the fourth centenary of his death, two-thirds of which is devoted to his preparatory studies for his major works in Venice. The last few rooms contain 22 paintings, including several masterpieces lent by US and European Museums. Until July 10.

**Rome,** Ex Stabilimento Peroni. Maurice Sendak. Imaginatively presented exhibition originally shown at the children's Book Fair in Paris, of original drawings and vastly enlarged reproduction from some of the American author-illustrator's best-known works. There are scenes from Where The Wild Things are, *Outside Over There, giving* a disturbing picture of self-reliant children in a world where parents are either absent or just incompetent (Via Reggio Emilia 54). Ends June 12.

#### WEST GERMANY

**Cologne,** Romisch-Germanisches *Museum. Caesar's Glass. This exhibition* is the most important display of Roman glass ever staged. The show is a joint project between the Corning Museum of glass, New York, the British Museum, London, and the Romisch-Germanisches Museum in Cologne. The exhibition is sponsored by Olivetti and runs until August 28.

**Cologne,** Museum Ludwig. Picasso in the second World War. 120 paintings, drawings and sculptures covering the period from 1938 to 1946, showing the painter's influence on artistic life after the war. Bischofsgartenstrasse 1. Ends June 16.

# FINANCIAL TIMES

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# Reviving the rental market

FEW MARKETS have experienced a more severe or prolonged decline than that of private rented housing in the UK. Before the First World War the sector accounted for more than 90 per cent of all homes; today its share is down to a mere 8 per cent. The Thatcher Government, after years of concentrating on the promotion of home ownership, is belatedly trying to do something to revive the market. The Housing Bill, which lifts rent controls on new lettings and aims to restrict further the role of local authorities as providers of housing, today reaches its report stage in the House of Commons. The legislation should not be underestimated, but it seems unlikely to transform the character of the housing market; indeed, some pressure groups, such as Shelter, say it will do nothing to stem the decline of private rented housing.

Critics point out, with some justice, that the future of private rented accommodation cannot be secured merely by giving landlords the right to charge higher rents on new lettings, which in any case constitute only a small proportion of the total market. On the one hand, measures have to be taken to ensure that tenants can afford the higher rents; on the other, the Government must ensure that reasonable rents provide a return that is competitive with that available in the house purchase market. If the first condition is not satisfied, the result of deregulation will be increased homelessness, which is already a serious problem in London and some other cities. If the second is not met, easier eviction rules will merely result in more formerly tenanted housing being put up for sale.

### Precedents

If past precedents are any guide, the Government is unlikely to do enough to ensure that private rented accommodation is affordable. Housing benefit has been cut eight times since 1983; the budget was reduced by more than £600m in April as part of Mr John Moore's social security reforms. In the judgment of many independent welfare groups, the present subsidies are inadequate to meet *current* needs; how then will they cope with the escalation of rents that is likely to follow deregulation? The scale of the potential problem is daunting because some 4.9m households, 75 per cent of those in rented accommodation, already receive some kind of subsidy. Millions have been housed at below-market prices for decades; ministers have to accept thet it will be costly to undo the damage.

The second problem is how to make rented accommodation a more attractive proposition for landlords, without risking sky-high rents. In theory, there are two possibilities: offer special subsidies to the suppliers of rented accommodation or reduce the attractiveness of the alternative, which is owner-occupation. The Government, regrettably, is taking the former route. As the Chancellor announced in the Budget, the special concessions available under the business expansion scheme are to be made available for investment in property for rent.

### Speculation

The braver and more rational course would be to accept that the special subsidies for home ownership have long outlived their usefulness. The concessions are helping to fuel unhealthy speculation in housing as a financial investment and have encouraged a spread in ownership, especially among the young, that is economically inefficient: labour mobility between north and south, for example, has been greatly impaired. The reliefs are looking ever more outrageous. The Government must examine afresh the case for either phasing out mortgage interest subsidies or taxing the imputed income from home ownership. It should also consider extending capital gains tax to principal residences – after all many people have seen their salaries dwarfed by their gains from the house price explosion.

The crucial point is that people will be encouraged to exploit their "right to rent" only if the artificial attractions of their "right to buy" are reduced. Moreover, poorer people will only be able to afford market rents if the Government begins to withdraw subsidies from the better off and redirects them where they are genuinely needed. The revival of the private rented market could be achieved at little net cost if only the Government were prepared to target its housing subsidies more accurately.

# Democracy test for Pakistan

THE ALMOST universally hostile reaction to President Zia ul-Haq's sudden decision to sack his Prime Minister, Cabinet and the entire National Assembly of Pakistan shows how little progress he has made in convincing the world of his intentions to steer Pakistan back towards democracy.

President Zia can argue powerfully in defence of his actions under Pakistan's constitution, particularly as the country is still in the tricky transition between military dictatorship and full civilian democracy.

### Opposition

But his defence would be worthless once he exceeded both the letter and spirit of Pakistan's existing constitution. This requires him to announce elections within 90 days of dissolution – that is, by August 29. Although election day could technically be any time after the announcement, a prolonged delay would reinforce the argument that President Zia remains the same autocratic general who seized power in 1977.

The opposition parties have always demanded that party-based elections should be held rather than the non-party elections favoured by President Zia. Although party elections would indeed be preferable and more obviously representative, there are growing indications that the opposition parties would now participate fully in any type of general election, the overriding demand being that an election be called. This is a signal which President Zia would be unwise to ignore.

The events leading to President Zia's recent actions are worth recalling. After eight years of martial law the president appeared to be beginning the slow transition back to democracy – about seven and half years later than he originally promised – when he called non-party elections in 1985 and nominated Mr Mohammad Khan Junejo, an uncharismatic figure, as Prime Minister while retaining the crucial post of chief of staff for himself.

However, Mr Junejo has recently been taking an independent line. He has opposed President Zia's determination to make Pakistan a more Islamic state; he has differed with President Zia over defence and economic policies; they argued furiously over the form of inquiry to follow the Islamabad arms depot explosion in April which killed more than 100 people; and they were at odds on Pakistan's position throughout the Geneva negotiations to secure a Soviet withdrawal from Afghanistan.

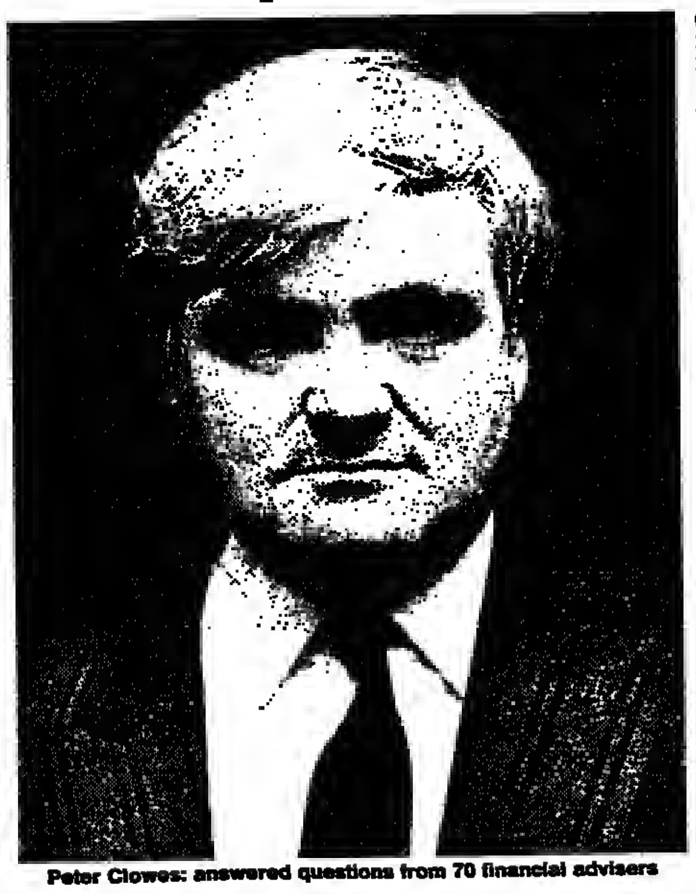
Mr Junejo's mistake has been over-confidence. The careless plot to strip President Zia of the post of Chief of Staff proved to be decisive. But other features of life in Pakistan were already prompting President Zia to consider slowing down the move to democracy. One was rising lawlessness and Mr Junejo's failure to restore order in both Sind and Baluchistan. Another was the scale of corruption within parliament itself. A third was the economic crisis, calling for austerity measures of which Mr Junejo, never a popular leader, was clearly planning to avoid.

### Budget

The onus now falls squarely on President Zia. First, he must produce a budget before the financial year ends on June 30. With defence and debt sarvicing accounting for 70 per cent of the budget, the budget deficit reaching 9 per cent of gross domestic product, and a hopelessly narrow tax base, an unpopular budget with increased taxes and lower public expenditure seems mandatory. This is especially important as the cushion of foreign aid will subside in the wake of the Soviet withdrawal from Afghanistan. The 3.5m Afghan refugees in Pakistan may be slow to return home before it is clear that the Soviet occupation will not be replaced by civil war. The peaceful settlement and feeding of this refugee population has been a significant and largely unsung achievement by President Zia even if it was greatly helped by infusions of cash from the US.

The constitution allows President Zia to produce a budget for only four months in the absence of National Assembly approval. This perhaps is the strongest lever to persuade him not only to announce elections but also to hold them quickly to get a new assembly in place.

**Clive Wolman** explains the background to the Barlow Clowes liquidation



Peter Clowes: answered questions from 70 financial advisers

# Regulators hit hard and fast

A PURGE of the more dubious investment firms was widely expected once the new investor protection organisations were given their enforcement powers under the Financial Services Act six weeks ago.

But the swift action taken by the Securities and Investments Board to close and liquidate the Barlow Clowes management firms, which have taken in about £185m from 18,400 investors, has exceeded all expectations. The SIB action against the UK company – which led to similar moves to wind up its Gibraltarian associate on Tuesday – is the outcome of a six-month investigation by two inspectors appointed by the Department of Trade and Industry.

The malpractice and suspected fraud within the Barlow Clowes companies appears to have been primarily at the expense of the clients of the Gibraltar fund who invested more than £130m with the company. Both the UK and Gibraltar funds were offering extremely high rates of interest – about two percentage points higher than the norm and supposedly free of tax – on managing portfolios of what they claimed were mainly government gilt-edged securitias. It is not clear how such high rates could be achieved particularly as the funds were subject to high management charges of 1.5 per cent per year.

Mr Peter Clowes, who heads the Barlow Clowes companies, has said that such returns were achieved through the consistent exploitation of anomalies in the prices of gilt-edged stock, which was made possible by the range and sophistication of his company's statistical data base. In particular some of the money was invested in those gilts which pay out particularly high rates of interest. These have, however, a declining capital value as their redemption date approaches – and this inevitably would have made it difficult to repay in full the value of the investors' original capital.

In spite of these problems, the UK fund appears to be solvent or at worst to have a deficiency in assets of only about £1.5m compared with investors' claims of about £52m. But the evidence collected by the DTI inspectors persuaded the SIB of the risk that the assets of the UK fund had been topped up by the removal of money from the larger Gibraltar fund. Some of the payments into and out of the UK fund, in particular to Jersey, from where most of the assets of the Gibraltar fund are thought to be managed, and to Geneva, from where payment was returned with a substantial surplus, have fuelled these suspicions.

Another source of suspicion was that the regular income of the UK management company, Barlow Clowes Gilt Managers – about £400,000 in the last 12-month period to be examined – was far less than its heavy operating costs (including salaries to its 30 staff and five directors) of £1.4m to £1.5m. But the shortfall was made up by a payment of "uncertain nature and source" of £1m.

Barlow Clowes'a underlying problem has been that its growth in the early 1980s was built on its use of a tax avoidance trading scheme called "bond-washing." This artificially converted income from clients' gilt portfolios into capital gains which were subject to low, or zero, tax. However the stratagem was blocked by the 1985 Finance Act and since then the company has failed to find a new niche to allow it to compete with the many other gilt-edged unit trusts run by better established companies.

In fact the soaring popularity of Barlow Clowes's Gibraltar fund appears to have been based on its well publicised suggestion that the returns would be free of income tax for UK residents, which is disputed by the Inland Revenue. This was why the fund's yield was around 10 per cent during 1986 and 1987, compared with less than half that amount yielded by the UK fund, which deducts tax at source. Some of the UK investors in the fund may now find their misery compounded by a heavy assessment for back taxes from the Inland Revenue.

The documents presented by the SIB to the court suggested that Barlow Clowes's record keeping was severely deficient and subject to falsification, and that the firm concealed from clients how much it was taking in fees. Also its own promotional literature has made several false claims. The most serious was the assurance that all the money in the Gibraltar fund would be invested in gilts or local authority or commercial paper. In fact Mr Clowes has admitted that at least a third of the £130m assets were tied up in other, illiquid assets, including, apparently property loans and investments. The fear is that many of these assets no longer exist.

Why did the regulatory authorities fail to take action against the company until the DTI inspectors were appointed in November? Since early last year, the inspectors (and, since April, the SIB) have been granted powers and responsibilities to monitor and investigate investment firms under the 1986 Financial Services Act which are much more extensive than those conferred on the DTI by the 1958 Prevention of Frauds (Investments) Act. But even the pre-1987 powers were sufficient for the DTI to have mounted a far-reaching probe of Barlow Clowes and, on the evidence which has now come to light, to have removed its licence to deal in securities or to have wound it up.

The weakness lay more in the limited resources of the DTI and the lack of aggressiveness and experience of its staff. The SIB staff is now being built up to between 150 and 200. Although Sir Kenneth Berrill, who stepped down as chairman nine days ago, failed to persuade enough City institutions to second their most talented staff to the SIB for two or three years; there are hopes that his successor, Mr David Walker, will be more persuasive. In addition, the five self-regulatory organisations under the SIB have large staffs to monitor their members' compliance with the new rules.

The most important improvement in the new regime is the introduction of a compensation scheme which will reimburse investors for 100 per cent of their losses up to £30,000 and 90 per cent of their losses for the next £20,000. However the scheme will take effect only in late August and will cover only authorised UK firms.

Under the old regime which has just ended, licensed dealers and other firms which were not bound by any specific investor-protection legislation had much more scope for misusing investors' funds – partly because the rules ware vaguer and the record-keeping requirements and monitoring less stringent. The main criticism of the DTI was that it was slow to act

One comfort for investors in the present case is that Mr Clowes was prepared on Monday to confront and answer questions from a group of 70 financial advisers who had directed their clients into his funds. However his answers were evasive, particularly on the whereabouts of the Gibraltar fund's assets.

His Gibraltar clients are in a relativaly weak position. Their investments were placed overseas in a jurisdiction which has no investor protection legislation. Gibraltar has provided the setting for frauds against British investors in the past. In 1982, the Signal Life insurance company collapsed, leaving its customers to discover that their £7m of investments had gone into worthless assets.

The action taken to wind up Barlow Clowes International in the Gibraltar conrts and to appoint a provisional liquidator, Ernst and Whinney, was possible because, at least, Gibraltar has a form of companies law based on 1929 UK legislation. According to one regulatory official: "For the last three weeks, we've been complaining how difficult it is to do anything with Gibraltar. But I snppose if the fund had been somewbere like the Netherlands Antilles, matters would have been much worse."

In fact the DTI has already signed an ambitious exchange of information and co-operation agreement with the US regulatory authorities which, it hopes, will be the model for future agreements with other countries. This would, for example, allow the DTI to work as a team with the US Securities and Exchange Commission on a case like Barlow Clowes.

So far the arrangements made with the Japanese have been much more restricted. The position with other European Community countries – and Gibraltar – should improve over the next five years.

But those investors lured into sending their money to companies based in Caribbean, Central American and South Pacific tax havens are likely to suffer from many more Barlow Clowes-like losses.

THURSDAY BOOK REVIEW

## Chaos:
### Making a New Science

**By James Gleick**
Heinemann; £12.95

ONE OF the main forces inspiring scientific inquiry has been the desire to bring order to the universe. But for most of this century the ordering process has taken place on a scale that is either too small or too large for human comprehension.

Physicists and mathematicians bave concentrated on two extremes: sorting out the subatomic building blocks of matter, and tracing the growth of the universe over a period of billions of years and distances of millions of light-years. For chemists and biologists the main excitemant has been at the molecular level – yet how many people can visualise a molecule?

Over the last decade, however, a science has arisen which brings a new order to recognisable events taking place in the world around us. Its practitioners have called the science "chaos" in a deliberate attempt to make it sound exciting: some even call themselves "chaologists" or "chaoticists". As James Gleick shows in this first popular account of chaos, it is fast becoming a glamorous subject. Indeed, the amazing success of the book in the US, where it has sold 150,000 copies and spent 17 weeks on the New York Times bestseller list, has made chaos a virtual cult among non-scientists.

What is chaos? One frustrating aspect of Gleick's otherwise excellent book is thet the term is nowhere clearly defined. The reader is left to gather that chaos offers a new way of perceiving order – and even of making predictions – in phenomena which have previously been considered too complex for scientific analysis, for example the weather or the rhythms of the human heart.

The first concept underlying chaos theory is the "Butterfly Effect" or, more prosaically, "sensitive dependence on initial conditions." It seems that for many natural systems, tiny differences in input quickly become huge differences in output. To give a far-fetched example from Gleick's book, the fluttering of a hutterfly's wings in Peking today could cause a storm over New York next month.

The first impact of chaos theory was to destroy confidence in the possibility of making accurate long-range weather forecasts. According to the chaologists it is impossible to predict the weather more than a week or so ahead, even with the most powerful and best programmed snpercomputers. The Butterfly Effect means that small gaps in tha network of observations from the world meteorological network inevitably multiply into a destructive cascade of errors and uncertainties.

More constructive applications of chaos soon appeared, revealing the order hidden in systems that had seemed hopelessly disordered. The most powerful concept, invented in the 1970s by Benoit Mandelbrot, a mathematical researcher at IBM, was the "fractal" – a fragmented shape wbose structure remains the same however much you blow it up or scale it down in size.

Fractal geometry turns out to be an invaluable tool for analysing many irregular sbapes in nature. The oil industry employs bundreds of scientists to work on fractal phenomena, particularly the diffusion of oil through fractured rock. Fractals found their most whimsical application in Hollywood, to create amazingly realistic landscapes for special effects in films.

Gleick, a New York Times journalist, uses a biographical technique to tell the story of chaos. He describes the personal characteristics and experiences of some of the key figures, at the same time as explaining their scientific work. The result is highly readable and, according to scientists who know the field well, impressively accurate both in its science and its background colour. (Inevitably, though, the tone is wrong in some details. For example Gleick calls Reading, England, "a small college town" – a description that even Reading's admirers would have to admit is over-romantic.)

The book is far from being a complete account of chaos. Gleick fails to mention important work on chaotic chemical reactions, perhaps because he could not find a co-operative chemist to provide the personal colonr required for his style.

Gleick does mention – but very much nnderplays – the vital role played by Soviet mathematicians in the development of chaos theory. One of the saddest little stories in the book is about an international conference in East Berlin, at which a frustrated, gesticulating A. N. Sarkovskii tried to tell the American chaos pioneer James Yorke that he had done the same work years before.

In fact the blossoming of chaos in the West during the late 1970s and 1980s bewildered many Russian mathematicians because mnch of the Western research inadvertently duplicated work already done in the Soviet Union. Let us hope that *glasnost* will help to hreak down the still formidable communications gap between Soviet and Western science.

The practical applications of chaos are now growing fast. It has important implications for medicine, and the rhythms of the human heart are proving a particularly fruitful subject for chaologists. The worst type of chaotic behaviour in the heart, known as ventricular fibrillation, kills hundreds of thousands of people a year; the heart muscles suddenly stop beating periodically and instead writhe in an unco-ordinated way like a bag of worms, unahle to pump hlood. Chaos experts are now designing improved defibrillators to restore the heart's normal rhythm with a jolt of electricity.

Sadly, attempts to apply chaos theory to the social sciences and economics have so far proved much less successful. Analysis has not shown hidden order in the random and unpredictable movements of commodity or stock market prices. Most financial systems are apparently chaotic in the everyday rather than the scientific sense of the word.

**Clive Cookson**

# OBSERVER

## Germany needs economists

■ West Germany's five economic institutes, which play a seminal role in the shaping of economic opinion in the country, are facing an unprecedented reshuffle.

Best known for their twice yearly joint reports on the economy, the institutes occupy distinctive political positions in the debate over economic policy. Four of them are now actually or imminently headless: Hamburg, Berlin, Essen and Kiel.

At Kiel Professor Herbert Giersch retires early next year, having established the institute as the most outspoken advocate of greater liberalisation and deregulation. The victory of the Social Democrats in the Schleswig-Holstein elections last month – Kiel is the capital of the state – suggests that his successor might have a different leaning.

Presidents of the institutes are selected by a governing hody composed of representatives of the State and Federal Government, the local University and the institute itself. The new SPD administration in Kiel does not therefore have a free hand – and would not want to appear politically too partisan – but it probably can block the appointment of the free-market Professor Jurgen Donges, Kiel's current number two.

Other names mentioned for Kiel include Professor Reimut Jochimsen, the SPD economics minister in North Rhine Westphalia, and Professor Helmut Hesse, who has just become President of the Lower Saxony State Bank.

There is some anxiety in the German economic establishment, which means the older generation, that the selections will become politicised and that there are not enough suitable younger candidates capable of combining academic excellence with managerial skill.

Professor Horst Siebert looks set to replace the retiring Professor Hans Karl Schneider at Essen. Yet following yesterday's election of Professor Hans-Jurgen Krupp, the Berlin Institute President, to the post of Finance Minister in Hamburg, another hole has opened up.

Professor Armin Gutowski, the President of the Hamburg Insititote, died of a heart attack earlier this year. Thus only the Munich Institute, under Professor Karl Heinricb Oppenlaender, is Angst-free.

## Sausage and egg

■ The latest record attempts released by the Guiness Book of Records inclnde the largest omelette, using 60,000 eggs and 500kgs of cheese, which is to be made in Kuala Lumpur on Sunday.

Closer to home is the 12-mile-long sausage, which is being attempted in Dudley, West Midlands, in 10 days' time. The largest cabbage is a 118 lb specimen grown in East Woodyates, Wiltshire.

The longest ride in armour – 200 miles from Westminster, taking in Canterbury – planned by two Maidstone men, Derek Ward and Gary Bourne, is something of a pseudo-record because both admit that some knights in medieval times must have ridden further.

Thomas Litz, a teacher from Zug in Switzerland, has finally returned Mark Johnson's homework to him after 21 years.

## Morgan's fate

■ The man who may soon hold the key to the future of Morgan Grenfell, the merchant bank, is a 55-year-old weekend farmer from Surrey with a passion for horses. He suffers, at the moment, from gout brought on by a hip replacement operation.

Roger Elliott is chairman-elect of Willis Faher, the grandest insurance hroking house at Lloyd's of London. It owns 20.7 per cent of Morgan, and from January 1 that will make Elliott one of the masters of Morgan's destiny at a time when the bank is surrounded by takeover speculation, with Goldman Sachs rumoured as a possible bidder.


"You're not so charismatic yourself."

This is not a natural role for Elliott, a quintessential Lloyd's man, schooled mainly in marine insurance until he joined Willis's aviation side in 1979. He arrived at the group in 1950, after the 1945 Labour Government nationalised Pickford's, the removal firm, which until then had been run hy his family. The young Roger was sent to Willis in 1950 for work experience.

In Willis, he will lead a group with long-cherished business ties to insurance institutions including Johnson & Higgins, the private New York insurance broker, and the huge Tokyo Marine and Fire Insurance Company, which reinsures itself in London against catastrophes.

Where will he take the group ? Not into more acquisitions like its troubled takeover last year of rival broker Stewart Wrightson. "I can't see any territory in the world where we don't have excellent contacts," says Elliott.

With regard to Morgan, Willis acknowledges that its traditional ties to the bank have weakened somewhat - especially since Morgan will probably need to raise new capital to fund expansion. Bnt one difficulty outsiders in the Lloyd's community see Willis facing is that it would have a tough job finding somewhere to reinvest perhaps £100m of proceeds from the sale.

## Life of Keynes

■ The Institute of Economic Affairs has produced an hour long video on the life, ideas and legacy of John Maynard Keynes. Only towards the end does a touch of polemicism creep in. It comes from Sir Alan Walters, one-time economics adviser to Margaret Thatcher.

The only country in whicb Keynesian principles were fully tried was Britain, Walters explains, and look what happened. The US did not really take Keynes on board till the 1960s, and "from then on the story gets sadder." The West Germans never took any notice of him, nor did tha newly indnstrialised countries and "the Japanese didn't seem to have heard of him."

Milton Friedman is rather kinder. He says that Keynes had a "very bad influence on the intellectual community" because he persuaded it that problems could be solved by governments, and persuaded governments that they ought to appoint intellectuals to do so. Friedman adds, however, that Keynes caused everyone to look at problems through different lenses.

It occurred to me afterwards that the life would make a good musical: Cambridge, Bloomsbury, Washington and Whitehall. As somebody has already written: In Washington Lord Halifax once whispered to Lord Keynes, They have all the money bags, But we have all the brains.

## Cartesian

■ A reader points out that the sign seen in a French café – Four o'clock tea à cinq heures – is entirely logical. France is an hour ahead.

ECONOMIC VIEWPOINT: Samuel Brittan

# Civil war among the monetarists

DURING the long period when the price of gold was held by central banks at $35 per ounce, a notable paradox was propounded by Dr Zijlstra, a famous Governor of the Netherlands Central Bank of the 1960s.

If the world's monetary authorities were sure that the price of gold would never be raised above $35 they would dump their gold straight away. If they were sure that it would indeed be raised, they would immediately exercise their then existing rights to convert their dollar holdings into gold at the expense of the US Treasury, whose gold stocks would be quickly drained.

The somewhat precarious equilibrium that existed under the Bretton Woods system depended on the existence of some uncertainty about the gold price, so that central banks neither wished to dump all their existing gold stocks nor convert all their dollar reserves into gold.

There is a similar paradox about the efforts of the UK Treasury and Bank of England to preserve a reasonably stable rate of exchange for sterling against the D-Mark, yet maintain a level of interest rates which at the short end are now 5 percentage points above German rates.

The existence of this differential depends on there being doubt about the likely movement of sterling, with a not too alarming downside risk.

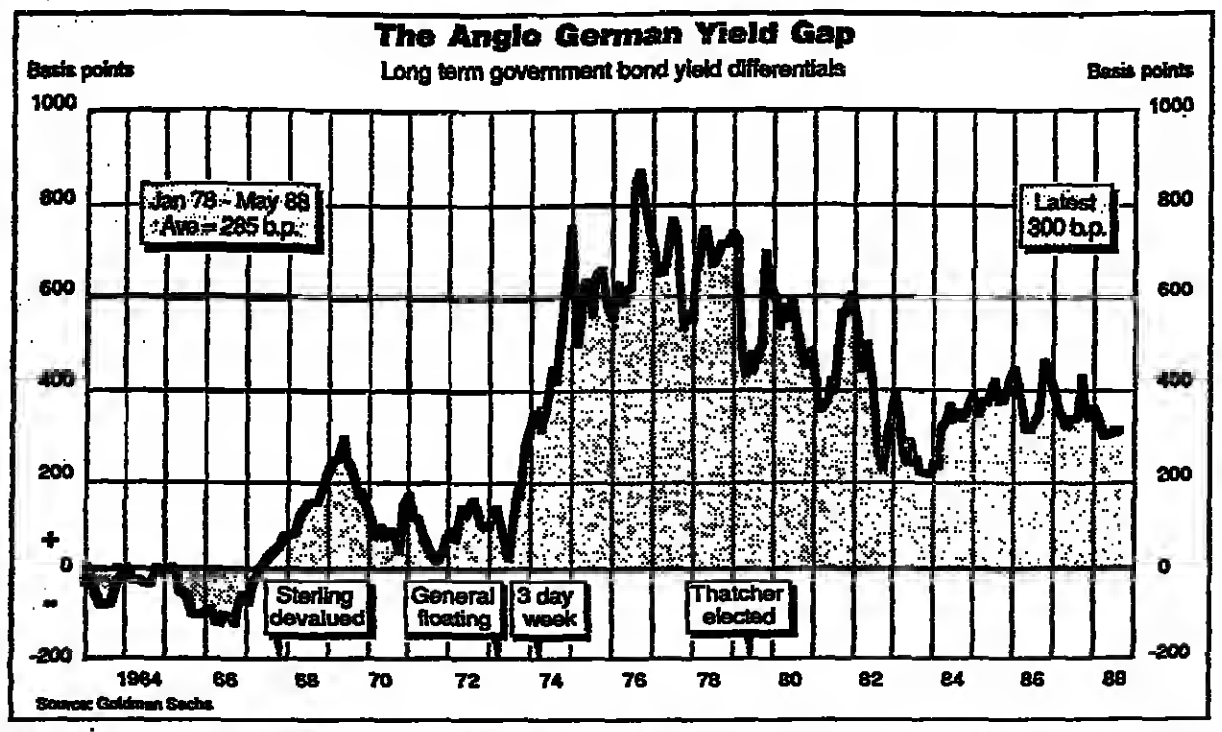
If the financial markets were sure that sterling could be held at its present level, there would be no point in holding footloose funds in Germany, Switzerland, Japan, or other hard money countries when they could be earning far more in Britain. If, on the other hand, they were convinced that the pound would drop steeply, there would be a sterling crisis on our hands, and it would take much more than 8½ per cent base rates to stem it.

Similar remarks apply even more strongly to the four percentage points differential between French and German short-term interest rates.

What, then, changed over the last couple of weeks to weaken sterling and provide British policy makers with a chance to try to combine higher interest rates with non-escalating sterling?

The effect of the tightening of Fed policy, combined with the earlier cuts in UK interest rates, has been almost to eliminate the interest differential in favour of sterling over the dollar. But as the D-Mark is for once at the bottom end of the Group of Seven range against the dollar – with thus some upside potential – the net effect of weakening sterling against the dollar is to weaken it against the Mark as well.

This is not a conjuncture on which to rely for more than a very short while. The Anglo-German short-term interest rate differential implies a central expectation that sterling will fall by 5 per cent per annum against the Mark. A better idea of longer term expectations can be obtained from the differential between British and German bond rates. This and is now at around 3 percentage points.



Source: Goldman Sachs

If the German inflation rate is put at 1 per cent, the underlying British inflation rate would then be around 4 per cent – or a little more if one is pessimistic about price trends in non-traded services; and the short-term interest rate differential too would have to fluctuate on either side of 3 percentage points. This means that the current short-term differential of 5 per cent would still be at the upper end of the likely range, despite the Bank of England's evident wish that it should be yet higher. Thus the present combination of exchange rate and interest rate objectives is not durable.

The conclusion to which I keep returning is that if we want to approach the German rate of inflation, we will have eventually to live German-style interest rates; and that goes for countries already in the EMS even more. The other side of the coin is that if people believed we could achieve German inflation rates and not depreciate against the Mark in the longer term, German-style nominal interest rates would no longer seem so low in real terms and thus would be less alarming to the Bank of England.

Meanwhile, it is worth noting the civil war that has broken out among those domestic monetarists who would like to conduct policy with little attention to sterling.

At one extreme are those who go by the movement of broad money, which is closely related to the credit growth about which the City really worries. One example is provided by Tim Congdon and Peter Warburton of Shearson Lehman, who predict inflation rising next year to 9 per cent despite the cushion of a £12bn current account deficit in 1989 – both due to Nigel Lawson's "monetary adventurism".

At the other extreme come Kent Matthews and Patrick Minford in the Liverpool Quarterly Economic Bulletin, who might be termed the "new monetarists". They believe that the behaviour of credit, or bank and building society deposits, reflects the portfolio choice of the private sector in a decontrolled environment and is of no ultimate inflationary impact. If private citizens both borrow more and hold more on deposit, they are simply taking advantage of a liberalised financial system to arrange their assets and liabilities.

> Demand growth has been transformed, not into inflation, but into a current account deficit.

The new monetarists have taken to heart the strictures against the Friedmanites for advocating in money and banking the fine-tuning controls they abhor everywhere else. Running in their favour is the fact that bank and building society lending has been rising at around 20 per cent per annum throughout the 1980s while inflation first fell dramatically and has since remained at around 4 per cent.

The weakest aspect of the new monetarists is their positive belief about what does determine inflation. Currency or "M0" is said to be "the only money left."

The attraction of the M0, which consists of cash in the hands of the public plus the operational deposits of the banks and the Bank of England, is that it is all "outside money". By this they mean that it consists of private sector assets which do not have any countervailing liabilities within that sector.

In fact, 95 per cent of M0 consists of cash in the hands of the public. But even if one believes that the price level can ultimately be controlled by controlling cash, one comes up against the fact that the Government does not determine the amount of currency in circulation. If people want to hold more bank notes they go to the banks to draw some. Holdings of cash can be influenced only indirectly by the normal weapons of interest rate, fiscal and exchange rate policy, which influence the general level of spending.

A paper by the Treasury's Chief Economic Adviser, Sir Terence Burns*, argues for M0 on the much less fundamental grounds that it is a "reasonably good short leading indicator of Nominal GDP." But what are we to make of the facts that: a) the present 5.9 per cent six monthly annualised growth rate of M0 is slightly above the official 1 to 5 per cent target range, yet: b) it is below last autumn's rate and that in addition: c) the present excess was forecast by the Treasury? The answer is that we need to look at so many other things as to cast doubt on M0's special target status.

Burns is pretty broad-minded over what he does in fact look at: "Narrow money, broad money – including the growth of credit – the exchange rate and to some extent other asset prices. But the weight given to these factors has changed from time to time; and a considerable element of judgment has been required."

A similarly eclectic approach is taken by Gavyn Davies in the June Goldman Sachs UK Economic Analyst, who goes back to more traditional indicators such as import costs, pay deals, consumer spending and so on.

Some of these indicators have been showing even more buoyant demand growth than before. Retail sales estimates have been readjusted upwards and show an annualised growth of 5 per cent both on a quarterly and yearly basis. Pay deals are nearly 1 per cent higher than a year ago. House price inflation is increasing; and bank and building society credit growth at an annualised rate has been edging up from below 20 per cent a year ago to nearly 25 per cent in the last quarter.

According to Davies, domestic demand has been growing from 5 to 5 per cent per annum in real terms, compared with a long-term, sustainable, growth rate not much above 3 per cent. But this demand growth has been transformed, not into inflation, but into a current account deficit, which he expects to reach £8bn in 1989.

If the current account deficit, which is known to be exaggerated by the official figures, can be financed from overseas, it is not necessarily catastrophic. A redeeming feature of the even larger payments gap forecast by Shearson is that it is associated with the largest investment boom since 1964.

The balance of payments can, however, only act as a safety valve, so long as sterling is maintained and that the financial and labour markets believe that the Government will tighten monetary policy enough to prevent major depreciation not merely now nor in 1989, but for several years to come.

But having seen sterling rise against the Chancellor's wishes, the markets may reasonably be sceptical that he or his successor will be able to prevent it from falling. The only way to restore credibility is now nothing short of full EMS membership, which would require Mr Lawson and Sir Geoffrey Howe to make it a joint resignation issue on their part. If they do not, the Prime Minister may be right about their fitness to succeed her.

* *Sir Terence Burns: The UK Government's Financial Strategy, in Keynes and Economic Policy: The Relevance of the General Theory After Fifty Years, ed. Eltis and Sinclair, (Macmillan, forthcoming)*

## Lombard

# The high cost of multi-unionism

BY PHILIP BASSETT

TRADE UNIONS in the UK are convulsed by the issue of single-union, strike-free deals. Employers look on eagerly as the unions tear themselves apart over single-union deals by expelling from the TUC the EETPU (electricians' union), which has promoted them. For both employers and unions, single-union deals are the flavour of the year, never mind the month.

Yet the number of single-union deals in the UK is still very small. No fully accurate measurement exists, but it is clear that by a huge margin multi-union arrangements outnumber single-union deals on unionised sites.

Virtually everyone involved in British industrial relations agrees that where a new company wants a union agreement at all (and most do not) it wants a single-union deal. They are also agreed that these deals, by simplifying bargaining and communication arrangements, can give employers which have them a competitive advantage.

The difference among unions over the issue – despite the action likely against the EETPU – is largely one of degree. By and large, the principal competing unions in the private sector, which are the real focus of industrial relations change in the 1980s, are all broadly in agreement that single-union deals form the strategy to pursue.

But what about the multi-union employer? The major unions in the UK – the TGWU (transport workers), the AEU (engineering), the GMB (general) union and the EETPU – are now all ready to fight each other to be allowed to offer advantageous representation arrangements to new, often foreign-owned, companies with which they have largely never had any kind of bargaining relationship in the past and which have often never employed any of their members.

Look, by contrast, at multi-union companies which have for years maintained unionised relationships. They have employed the unions' members, recognised them, bargained with them, paid for their day-to-day existence by giving shop stewards paid time off for their activities and kept the unions going financially by collecting their members' subscriptions on their behalf. Their thanks is to suffer competitive disadvantage as the unions offer to companies with which they have had no relationship the very provisions they deny to multi-union companies.

Earlier this year, both the TGWU and the AEU led a strike against Ford's flexibility and pay proposals, yet both unions competed openly for the fully flexible, single-union deal which the AEU eventually secured with the newcomer Nissan and which gives the Japanese company a substantial advantage over its rivals.

How long can unions maintain this dual-track approach, which is often to the disadvantage of indigenous long-standing companies and beneficial to foreign-owned newcomers? How long will long-established multi-union companies be prepared to tolerate it?

It is all but impossible at present for established multi-union companies to reorganise themselves to single-union operation. Barely a handful have managed to do so. Operationally, it is easier for companies to de-unionise: to achieve the flexibility offered by single-union operation by stripping out the unions altogether.

Though the number of cases of union derecognition is small at present, it is growing – and is already, in half the time, more than the number of strike-free, single-union deals which have been signed since they started in 1981.

The immediate challenge for British trade unions is to resolve their difficulties over single-union deals. But beyond that, the problem of the real competitive disadvantage of multi-unionism looms large.

Trade unions in the UK have to come to terms with it for their own sake, and because of the responsibilities they have towards the companies which have helped maintain them. If they do not, then they may face the prospect of an increase in the 40 or so de-unionisation cases as British employers decide they can wait no longer for the unions to reform their bargaining arrangements – and do it for them.

## Letters to the Editor

### Never believe an advertisement

*From Mr Douglas Dunbar.*

Sir, Max Findlay's "The Reluctant 'Converts'" (June 2), on the benefits or otherwise of publicity brochures to the legal profession, reminds me of one of the tenets of the classical education I was fortunate enough to enjoy: never read advertising matter – or if, inadvertently, your eye is drawn to some such material, then certainly never believe it.

This sage advice has saved me from much intellectual offence, diversion of purpose and wasted time – the latter particularly applicable to full-page advertisements which carry only very few words or the mere squiggle of a drawing on a predominantly blank page. On cannot help thinking that, while the agencies may have excelled themselves in selling the space to their clients, their copywriters have been unable to extend even their capacity for "hype" to fill such acres.

In my experience, on matters of any importance personal recommendation is the only valid introduction to securing appropriate legal service.

Douglas Dunbar,
*Combe Cottage,*
*Sundridge,*
*Sevenoaks, Kent*

### Too easy to speculate in land

*From Miss Josephine Hayes.*

Sir, Josephine Mernane (Letters, June 6) asks why, despite the need for housing, there are acres of derelict land all the way from New Cross to London Bridge. One may well ask – not only in relation to housing, but to urban land uses in general.

Publicly owned derelict land is a special problem; I confine myself here to land privately owned. Hoarding of such land is encouraged by the absence of annual cash cost. It is therefore easy to speculate by keeping a site idle while prices rise, thanks to the unremitting increase in human demands on land area – until the site is sold for a fat profit.

There is no cash cost, because rates are not levied on vacant land. However logical in concept (the basis of liability for rates being occupation of land and buildings), in practice speculators hold land out of use; the community suffers a land shortage; at the same time the rates burden is shifted on to other land. It is madness that this anti-social hoarding of land has tax shelter status.

There should be a rate on vacant and under-developed sites on an imputed rent basis related to their optimum lawful planning use. By bringing such sites into the tax net, the tax would encourage the best use of land within the planning laws, instead of rewarding speculation. The green belt would be safer and, incidentally, the rates burden would be more fairly spread.

So far as efficient use of housing is concerned, the poll tax, by replacing domestic rates, is a move in precisely the wrong direction. Rates, being a composite tax on sites and buildings, are better than nothing. However, they add to the cost of building houses.

The right direction is towards heavier emphasis on taxation of site values, which would reduce the price of land.

Josephine Hayes,
*3 New Square,*
*Lincoln's Inn, WC2*

### Making a living from the not-so-rich

*From Mr J.A.W. Collins.*

Sir, Lex's comment on private client brokers (May 28), implying that those clients who managed to find advice will either find it impersonal or very expensive, is not the case in a number of provincial firms.

I suppose we fall into Lex's "tea and sympathy" category. For tea and sympathy – no charge. A full advice and management service (good advice, we think) – no fees. We also maintain one of the lowest minimum commissions in the country. On Big Bang day we brought our scale rate of commissions down and they are still there.

We learnt many years ago, like other provincial firms, the technique of making a living from those whom Lex calls not-so-rich clients. It is hard work, and we cannot run Porsches, but clients are getting a good-value service.

J.A.W. Collins,
*Redmayne Bentley,*
*Merton House,*
*84 Albion Street,*
*Leeds, Yorkshire*

If intended for publication, letters to the Editor should include, where possible, a day-time telephone number.

### Argument and counter argument for tax on the market value of housing

*From Mr John Muellbauer.*

Sir, Let me reply to those who have criticised (May 17) my arguments for a tax on the market value of housing integrated into the Inland Revenue's income tax base (May 11).

Mr Hunt claims the only reason for higher house prices in the south east of the UK is the current strength of economic activity there. Our research (with Anthony Murphy, financed by the Economic and Social Research Council) suggests that while this is an element, it is less important than national housing demand factors: the growth of income relative to the stock of housing; the expansion of real liquidity and the availability of credit; demographic factors; and after-tax interest rates relative to recent house price appreciation, which households tend to extrapolate.

There seems little doubt that housing supply is less elastic in the south east, so that an expansion in national demand drives up not only house prices but even house price/earnings ratios in the south east compared with elsewhere.

Mr Hunt sees the tax I have proposed as adding to the cost of living. If the revenue from it is similar to that from domestic rates on owner occupiers, it is hard to see how it can increase the cost of living compared with the status quo. In fact, the reverse is true. As recent research by Professor Gordon Hughes and by Peter Spencer of Credit Suisse First Boston indicates, the abolition of domestic rates is likely to raise house price/earnings ratios nationally by at least 18per cent – and probably by more in the south east, given lower supply elasticities and the prevalence of higher priced properties there.

The reasons are simple: house prices capitalise the benefit over many years of not having to pay rates. But these capitalised benefits are spendable now. This is one reason for increasing concern in the financial markets over the role of housing in the consumer boom.

My former colleague Michael Ball neglects an absolutely vital part of my proposal: integration with income tax. Under my proposal, 2 to 3 per cent of the annually indexed market value would be added to other income. Since the expansion of the Inland Revenue's tax base would make it possible to raise income tax allowances, this would ensure that, unlike under domestic rates, widows with low cash incomes would not be paying the tax. Moreover it would be possible to give a separate tax allowance for the imputed income from housing. His alternative, a house sales tax, effectively increasing stamp duty has an effect on mobility which worries me more than it does him.

Mr Bingley (facetiously) asks whether anyone has ever told me about mortgage repayments and upkeep. Has anyone ever told him about house price appreciation as an element in the real spending power of owner occupiers and in computing their net housing costs?

However, he is not alone in making this omission. The ludicrously low estimates – in the Green Paper "Paying for Local Government" – of the effects on house prices of abolishing domestic rates, are based on it.

I have the most sympathy with Mr Redfearn's case, which is to tax land values. I see two problems with this. One is that the basis for annually updatable land valuations is less readily available than for housing. The other is that, given planning controls, one would not want to tax land independently of its use. The problem is the administrative complexity of the land use classification and re-classification system that would be required, in addition to the already existing one. These may not be insuperable problems but they are not negligible.

John Muellbauer,
*Nuffield College,*
*Oxford*

### Sited through a train window

*From Mr Peter Hadley.*

Sir, Josephine Mernane's observation (Letters, June 6) reflects the blight caused by planning and possession politics. The London Docklands Development Corporation may not be a paragon, but it has provided the means for 15,000 homes to be built on London's most neglected sites.

Peter Hadley,
*70 Hayes Lane,*
*Kenley, Surrey*

### Too soon to count chickens

*From Mr B.D. Yates.*

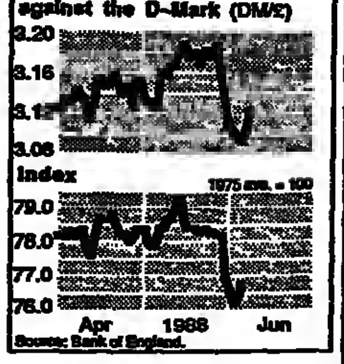
Sir, Articles recently referred to suppliers being awarded contracts for Fawley "B" coal fired power station. CEGB and others should not count their chickens too early. The public enquiry will not take place until 1989. Those concerned with recreation on the Solent and in the New Forest are ranged against them.

B.D. Yates,
*Hampshire County Council*
*Winchester*

FINANCIAL TIMES
Thursday June 9 1988



Sterling
against the D-Mark (DM/£)




Source: Bank of England.

# Sterling shows fresh signs of strength

By Simon Holberton in London

STERLING showed signs of renewed strength in London yesterday and closed higher against major currencies for the first time in almost a week.

Elsewhere in Europe, the dollar was also firm on foreign exchanges before today's release in Washington of seasonally adjusted US trade figures for 1986, 1987 and the first quarter of this year.

Sterling weakened slightly towards the end of trading in London and this, together with a solid rise on Wall Street, helped the FT-SE 100 Share Index to end 8 points up at 1,828.2 and the FT Ordinary Share Index to close 10.1 better at 1,455.2.

At 2pm on Wall Street, the Dow Jones Industrial Average stood 35.56 points higher at 2,090.15 on the back of better bond prices and a belief that the inflation threat to the US was receding.

Sterling closed 1¾ pfennigs higher at DM3.1250 and fractionally higher against the dollar at $1.8180. The Bank of England's trade-weighted sterling index closed 0.2 points higher at 76.7.

Market operators were quietly optimistic about the outlook for sterling. Foreign investors were beginning to buy the currency again after favourable interest differentials were re-established against the yen and the D-Mark following the rise in UK base rates to 8½ per cent on Monday.

The Treasury, however, remains cautiously confident that a repetition of sterling's strength can be avoided, given the shock speculators received last week when the pound fell steeply.

The D-Mark was weak against most major currencies yesterday, falling against the dollar and the yen as well as the pound.

The Bundesbank, the West German central bank, has expressed concern recently over the weakness of the D-Mark and appears to have sold dollars to support its currency. Earlier this week the central bank said it had reduced its dollar holdings by $2bn in May and had conducted further dollar sales in June.

Currency markets are expected to be relatively quiet today ahead of the US Commerce Department's release of seasonally adjusted trade figures. In London, the dollar closed at DM1.7185 compared with DM1.7150 on Tuesday and at Y125.25 compared with Y125.70.

Currencies, Page 31

# IBM applies to join rivals' software standards group

BY ALAN CANE IN LONDON

INTERNATIONAL Business Machines (IBM), the world's largest computer manufacturer, has applied to join the X/Open group, a consortium which includes some of its fiercest rivals and which is attempting to establish basic rules for developing computer software.

The group aims to enable customers to run the same applications programs on computers from different makers. The lack of such a facility is a serious cause of expense and resentment among business computer users.

The application to X/Open – which seems likely to be accepted – represents a significant change of policy for IBM, which has rejected several invitations to join the four-year-old group.

It is the latest in a series of moves IBM has made to be identified with the need for open standards throughout the computer industry.

IBM took a leading role in the formation of the Open Software Foundation, announced last month. It joined with Digital Equipment, Apollo Computer and Hewlett-Packard of the US, Siemens and Nixdorf of West Germany and Groupe Bull of France to promote and develop common software standards, especially for a computer operating system called Unix.

Many in the computer industry saw the Foundation as a bid by IBM and its collaborators to defeat efforts by AT&T, the telecommunications conglomerate, and Sun Microsystems, an aggressive workstation manufacturer, to secure their own, proprietary Unix system as the world standard.

Both AT&T and Sun are members of the X/Open group. IBM's decision to seek a link with them through the group has added to the confusion which already exists over IBM's intentions in the standards arena.

Other members of the X/Open group are Groupe Bull, Digital Equipment, Ericsson, Hewlett Packard, ICL, NCR, Nixdorf, Olivetti, Philips, Siemens and Unisys.

# US set to press allies to bear greater share of defence burden

BY DAVID WHITE IN MADRID

US PRESSURE on allies to shoulder more of the Nato defence burden, and prospects for new East-West negotiations on conventional arms cuts are expected to dominate talks between alliance foreign ministers in Madrid today and tomorrow.

The Madrid meeting will be the last one presided over by Lord Carrington, the outgoing Secretary General.

It follows last week's briefing on the results of the Moscow summit by Mr George Shultz, the US Secretary of State, to the North Atlantic Council in Brussels, at which most of the foreign ministers were present. With a pause in the momentum of nuclear arms reduction talks, today's meeting is expected to focus on other issues.

The burden-sharing issue, in which the US Administration faces a strong congressional campaign, has already been discussed at defence minister level, but the foreign ministers are expected to broach the political aspects of the question.

Lord Carrington said at a pre-meeting news conference yesterday that each country knew where it stood in the league table of Nato contributors.

"I think we can all do more, and some can do more, more than others," he said. He hoped that a mandate for a new set of conventional arms talks would come this summer.

Hopes have been raised by the high profile given in the Moscow summit to the human rights issues.

Western governments have insisted that no new talks can take place without advances on human rights at the Conference on Security and Co-operation in Europe – now in Vienna – where the Mutual and Bilateral Force Reduction negotiations covering central Europe have been stumbling along for 15 years.

Lord Carrington said the mandate for new talks did not depend on Nato's current study of a "comprehensive concept" of arms control. The concept is seen in West Germany as a way of bringing the short-range nuclear weapons not covered by the Intermediate Nuclear Forces treaty into the negotiating calendar, against the views of the US and Britain.

It was hoped that the drafting group would produce "something in writing" by the next Nato council meeting in December, Lord Carrington said.

The meeting is also expected to provide opportunities for discussion of recent developments in Eastern Europe and Afghanistan, and other regional issues in which the Soviet Union may be changing its approach, officials said.

# Swift bank project delayed

BY ALAN CANE IN LONDON

A £400m ($725m) project to upgrade the Swift network, an international electronic communications system which is the chief conduit for the transmission of payments messages between the world's banks, is still troubled by computer software problems and is unlikely to meet its promised delivery date.

Late last year Swift management said banks would be able to move to the much-needed new system in early 1989, a date which now looks unlikely. Swift users – more than 2,500 banks in 46 countries – are reported to be "frustrated and annoyed" by the delay on a project which is already more than two years behind schedule.

The board of Swift (Society for Worldwide Interbank Financial Transactions) has been meeting in Brussels this week to decide whether to attempt to meet the promised "cutover window" from Swift I to the vastly more powerful and sophisticated Swift II, or announce a further delay.

It would be the fourth time in two years that the cutover window has been rescheduled.

The board is expected to issue a statement today setting out a new timetable for the cutover window and detailing a parcel of contingency measures to ensure that Swift continues to cope with the rising volume of message traffic until the new software is ready and tested.

Suggestions that proposals had been made to abandon the Swift II software project and start from scratch were denied by the Swift authorities.

Mr Peter Drummond, Swift Vice-President, said yesterday that the delays were being caused by the complexity of ensuring that the new software, which is being completed in the US at Culpepper, Virginia, would provide the same level of security and reliability that customers had come to expect from Swift I.

Swift has proved a major success within the banking community. It is now handling over one million payments messages a day, close to the maximum the system can handle.

Replacement of the 10-year-old technology has been imperative since 1985, but the development of Swift II has been hindered by both software and managerial difficulties. The computers themselves, provided by Unisys, have not been part of the problem.

# Blast causes US rocket fuel shortage

BY NANCY DUNNE IN WASHINGTON

A HUGE explosion that destroyed a rocket fuel plant in Nevada last month has left US Administration officials deeply concerned about a shortage of solid fuel vital to US space, military and commercial programmes.

A House Oversight and Investigations Sub-committee was to open hearings yesterday on the imminent shortage. Officials of the National Aeronautics and Space Administration contend that the shortage will not delay the return to space of its Shuttle, now due on August 31, but they fear it will curtail flights next year.

The Defence Department is also concerned about fuel availability for the Titan 4, the unmanned substitute for the Shuttle, which the air force has scheduled for an initial launch this autumn. It also needs fuel for its Delta 2 space-launch rockets and main weapons systems.

After the accident on May 5, which destroyed Pacific Engineering & Production's facilities, Nasa officials said there was enough fuel to supply the space programme. However, the Nevada state government, concerned about safety, has shut down Kerr-McGee's plant, which is the only other producer of ammonium perchlorate, the oxidising agent needed for the rocket fuel.

# Parker Pen reads the writing on London's market wall

By Christopher Parkes in London

PARKER PEN, the UK writing instrument manufacturer, scrapped its London Stock Exchange flotation plans yesterday – the day it was due to announce full details of its offer for sale.

The embarrassing cancellation followed a dispute between Parker's advisers – Lazard Brothers, the merchant bank, and Cazenove, the stockbroker – and the investors which helped fund the company's $70m management buy-out from its US owners in January 1986.

The advisers had warned the backers that, given the present fragility of the stock market, they could not expect a flotation share price of more than 150p, which would have valued Parker at about £133m ($252m), Mr Jacques Margry, chief executive, said yesterday.

From that point, in present market conditions, the after-market price could have been expected to rise to about 160p.

Some of the backers, which include Chemical Equity of the US, Bankers Trust, the Electra Investment Trust and Fkr Associates, representing the interests of the founding Parker family, were seeking a share price of around 170p and a market capitalisation of £155m.

At that level they hoped for the price to rise to 185p or 190p in early trading.

Because of the wide differences, the negotiators failed to round up from investors the minimum 25 per cent of shares necessary for a full Stock Exchange listing. "The board's decision to cancel was totally unanimous," said Mr John Moulton of Schroder Ventures, which led the buy-out investment group.

"We have seen this sort of thing before," a representative of one of Parker's backers said yesterday. Companies had lost their nerve at the last moment or bankers and brokers raised expectations during the "beauty parades" usual when private companies selected their flotation advisers, and then lowered them sharply when impact day approached.

Cazenove and Lazard were appointed last summer in the days before the October stock markets crash.

Among the options now being considered, it is believed, is the possible sale of the company, although Parker's brand strength and cash-generating abilities make recapitalisation a more likely alternative.

Mr Margry gave a hint of his personal views when he said at the time of the initial announcement of the offer for sale, just over three weeks ago, that he would put forward "as little as possible" of his personal holding.

The move was designed mainly to give Parker's principal backers a valuation of their holdings and a possible exit route.

"The best course now is to do nothing," he said yesterday. The flotation plan was in limbo, and the company was looking at alternatives which included a future flotation attempt when the market was more stable.

Lazard and Cazenove would remain as Parker's advisers. In the meantime the company would continue as before, and Mr Margry said he expected no problems with raising funds for future developments or acquisitions should the opportunity arise.

## THE LEX COLUMN

# Parker's blot on the City

The reason offered for yesterday's last-minute decision to pull the Parker Pen flotation – irreconcilable differences over price – looks so ludicrous that it tempts one to seek a more sophisticated explanation. Perhaps something nasty turned up in the figures to blight the pre-flotation profits forecast; or maybe a tall dark bidder appeared out of nowhere at the last possible moment.

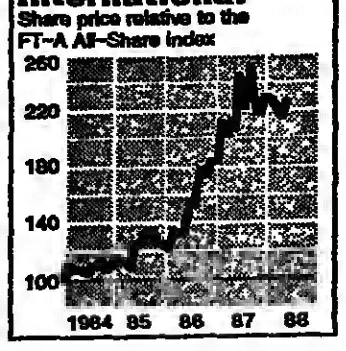
Any number of intricate theories can be advanced, but the truth seems to be closer to farce than conspiracy. Somehow, the various parties involved did not get around to discussing a price for the issue until two days before impact day; and when they did, they found that the greed of Parker's venture capitalist backers could not be reconciled with the meanness of Cazenove's and Lazard's valuation.

While Parker's investors thought it only reasonable that they could sell a quarter of the company today for nearly as much as they paid for the whole of it 2½ years ago, the advisers thought it was only reasonable to be cautious. The £10m or so gap between the two – a difference of around a point on the advisers' prospective p/e of 11 – proved not susceptible to negotiation.

Parker was left muttering about re-capitalising the company, and promising sheepishly not to trouble the market with its flotation ambitions for some time to come. Cazenove and Lazard, for their part, were clearly peeved that decades of market expertise had been challenged by a bunch of upstart venture capitalists. While it is difficult to decide which side ended up looking the more foolish, the distinction should probably go to Parker which, after all, paid £¼m in fees for the honour.

## Reed

Reed International
Share price relative to the FT-A All-Share index




The near five per cent fall in Reed's share price yesterday suggests the market does not mind the prospect of earnings dilution so long as it is confined to analysts' circulars. But when the company itself makes the unsurprising admission that its move out of low-rated packaging into more highly rated publishing will involve some dilution, perverse investors seem not to like it at all.

There were other things in an apparently more than respectable 29 per cent rise in profits that failed to please. Disposal gains of £12m in the trading figures and an unexpectedly low tax charge made the earnings figures look better than they were, while a mere £13m profit from Octopus appeared a poor return on a £540m investment. However such doubts rather miss the point of what Reed is trying to do, which is all about higher growth in the long term and improving the quality of earnings. In particular the strategic acquisition of Octopus is not best judged on the basis of eight months of heavy rationalisation. This does not mean that it should be given the full benefit of the doubt, more that shareholders should wait to see Reed become a fully fledged publishing company before passing judgement.

The immediate problem for the share price is not that earnings growth may slacken temporarily from the recent 25 per cent per annum or so, but that nobody knows by how much. Timing, interest rates, and above all, how Reed chooses to spend its near £1bn of proceeds will determine that. But on a tentative estimate of £265m this year, a p/e of 12 would seem to get the measure of both the eventual promise and of slightly slower growth in the next year or two.

## J.Rothschild

One has only to look at the miserable performance of the British & Commonwealth share price over the last year, or the fate of L.F.Rothschild, the Wall Street securities firm, to sense that J.Rothschild Holdings made the right decision to exit the financial services arena when it did. It has always been far better at doing deals than managing people, and as yesterday's preliminary figures amply demonstrated – net assets rose by 6.5 per cent against a 12.5 per cent decline in the investment trust sector – its investment record is hard to fault. Nevertheless, the group has come to be valued on a par with a rather dull investment trust, but without any of the latter's tax advantages.

Rothschild's solution to its dilemma – splitting itself into an investment trust and an investment dealing company – is a clever compromise, and a reminder that there are still plenty of ways that the sleepy investment trust industry can shake itself up, if it so wished. RIT Capital partners, which will be similar to the old RIT, will have all the tax advantages of an investment trust, plus the added bonus of a £100m convertible which can be used to circumvent the restrictions on investment trusts buying back their own shares. This should prevent RIT moving to a substantial discount to its £1 asset value, while the substantial yield on the rest of the business, plus the continuing ability to buy back shares, explains the 7p rise in the group's shares to 178p, yesterday.

## Sterling

It is all very well for currency traders to talk of the 3 pfennig bounce in sterling over the last two days as "technical" – a simple consequence of cross positions against the D-Mark being unwound. Yet the fact remains that the movement is a large one by ordinary standards, and has pushed sterling up to DM3.1250, just a pfennig and a half short of DM3.14, which prompted a cut in interest rates barely a month ago.

In fairness, the traders' explanation may be less fatuous than it sounds. When the dollar is paralysed by the prospect of next week's trade figures, it is natural that sterling should see the most of any weakness in the D-Mark. Probably, there is nothing more sinister in sterling's latest rise, and merely marks a move within a new range. Yet the Bank must be anxious, nevertheless. Given the brief memory span of the average foreign exchange dealer, there is a danger that the arguments for sterling being weaker are forgotten as quickly as the reverse arguments were cast aside just a week ago. Whatever the official disputes about the use of interest rates to target sterling, yo-yo-ing base rates can suit no one save the newspapers which carry the advertisements.



# Competence the key to the Dukakis campaign

Continued from Page 1

closest political friend, Mr John Sasso.

His skill on television, born of his experience some years ago as a television show host, has been a valuable asset and may be even more valuable when he gets into debates with the sometimes inarticulate Mr Bush.

Gov Dukakis has also learnt from the mistakes of other Democratic candidates. Although a north easterner from liberal Massachusetts, he has cleverly avoided making specific promises which would make him vulnerable to the charge levelled for example at Vice President Walter Mondale, the party's candidate in 1984, that he is a prisoner of his party's special interest groups.

He has also had his share of luck. The strong challenge from Rev Jesse Jackson, not only helped to keep the race for the Democratic nomination alive and therefore the Governor's name before the public, in addition, since Mr Jackson is to the left of the party, it helped Gov Dukakis avoid being tagged as a Massachusetts liberal.

That Vice President Bush will have some trouble pinning the label "liberal" on him, even though he will continue to try, was evidenced on Tuesday night.

In a television interview Gov Dukakis responded to the Vice President's jibes about his liberal stances by scoffing that "this crowd in the White House isn't conservative." When asked to say how he backed up his claim to be more conservative than Mr Bush, he added with reference to his years as Governor of Massachusetts: "Balancing budgets for one. I was taught that a conservative paid his bills."

In the next few weeks, however, Gov Dukakis's political skills will be severely tested.

Mr Jackson remains a political leader who will need to be treated with care. Not only has he won respect for himself by running a mature campaign in which he articulated more compellingly than his rivals some of the social issues which may help to win the election in November for his party, he is unchallenged as the spokesman for black voters, a Democratic constituency in November's election.

In shaping the party's political platform Gov Dukakis will thus have to make some concession to the powerful block of Jackson delegates in the convention hall in Atlanta next month, but they will have to be concessions which will not anger the party's conservative wing.

Mr Jackson, by indicating that he will focus on such issues as the party's rules and US policy towards South Africa, and by his choice of mainstream Democrats to manage his role in the convention, seems to be signalling once again that he is not looking for confrontation with the party's standard bearer.

A key decision will be Gov Dukakis's selection of vice-presidential running mate. His choice will have to be acceptable to Mr Jackson if he is to throw himself into the campaign and mobilise the black constituency on Gov Dukakis's behalf.

But if Gov Dukakis has some difficult political terrain to traverse in the next few weeks, it is certainly no rockier than the ground Vice-President Bush must cover.

Polls show that not only is he failing to retain the support of blue collar Democrats who voted in 1980 and 1984 for Ronald Reagan, a "gender gap" has also opened up with women finding the Vice President far less attractive as a candidate than Gov Dukakis.

Moreover Mr Bush is still struggling with the difficult task which has bedevilled presidential bids by sitting Vice Presidents in the past, that of both carving out for himself a separate political identity

He took another stab at this earlier in the week when he positioned himself to the right of the President on US/Soviet relations by publicly questioning the almost euphoric assessment of the Soviet Union which President Reagan has been offering in the wake of the Moscow summit.

Mr Bush can, however, console himself with the thought that the election is not until November and most voters will not begin to focus on the two candidates until the Presidential campaign begins in earnest in September.

## World Weather

| | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Ajaccio | S | 21 | 70 | Dubrovnik | S | 22 | 72 | Malta | C | 21 | 70 | Rhodes | S | 28 | 82 |
| Algiers | S | 25 | 77 | Edinburgh | C | 16 | 61 | Manchester | R | 14 | 57 | Rio de J'o | F | 12 | 53 |
| Amsterdam | R | 17 | 63 | Faro | F | 19 | 66 | Manila | C | 31 | 88 | Rome | F | 21 | 70 |
| Athens | C | 32 | 90 | Florence | - | - | - | Melbourne | C | 13 | 55 | Salzburg | F | 19 | 66 |
| Bahrain | F | 36 | 97 | Frankfurt | C | 19 | 66 | Mexico City | F | 26 | 79 | San Francisco | F | 17 | 62 |
| Bangkok | F | 32 | 90 | Funchal | C | 20 | 68 | Miami | R | 23 | 73 | Seoul | R | 24 | 75 |
| Barcelona | F | 20 | 68 | Geneva | F | 16 | 61 | Milan | F | 20 | 68 | Singapore | F | 32 | 90 |
| Beirut | F | 28 | 82 | Gibraltar | C | 21 | 70 | Montreal | C | 21 | 70 | Stockholm | F | 22 | 72 |
| Belfast | C | 17 | 63 | Glasgow | S | 18 | 64 | Moscow | F | 32 | 90 | Strasbourg | F | 17 | 63 |
| Belgrade | F | 23 | 73 | Guernsey | S | 15 | 59 | Munich | F | 17 | 63 | Sydney | F | 18 | 64 |
| Berlin | C | 22 | 72 | Helsinki | F | 24 | 75 | Nairobi | F | 21 | 70 | Taipei | F | 24 | 75 |
| Biarritz | R | 19 | 66 | H. Kong | F | 31 | 88 | Naples | F | 25 | 77 | Tangier | F | 20 | 68 |
| Bombay | F | 35 | 95 | Innsbruck | F | 19 | 66 | Nassau | R | 31 | 88 | Tel Aviv | S | 28 | 82 |
| Bordeaux | F | 19 | 66 | Inverness | C | 14 | 57 | New Delhi | F | 40 | 104 | Tenerife | F | 23 | 73 |
| Brussels | C | 21 | 70 | Islamabad | F | 33 | 91 | New York | F | 25 | 77 | Tokyo | F | 20 | 68 |
| Budapest | C | 24 | 75 | Istanbul | F | 27 | 81 | Nice | S | 19 | 66 | Toronto | F | 18 | 64 |
| B. Aires | C | 14 | 57 | Jakarta | R | 31 | 88 | Nicosia | F | 35 | 95 | Tunis | R | 18 | 64 |
| Cairo | F | 36 | 97 | Jersey | S | 18 | 64 | Oporto | F | 17 | 63 | Valencia | F | 18 | 64 |
| Cape Town | F | 13 | 55 | Jo'burg | F | 12 | 54 | Oslo | F | 24 | 75 | Venice | S | 20 | 68 |
| Caracas | - | - | - | Lima | F | 20 | 68 | Paris | F | 18 | 64 | Vienna | F | 24 | 75 |
| Casablanca | C | 22 | 72 | Lisbon | F | 22 | 72 | Peking | S | 28 | 82 | Warsaw | F | 27 | 81 |
| Chicago | F | 34 | 94 | London | C | 16 | 61 | Prague | F | 20 | 68 | Washington | S | 28 | 82 |
| Cologne | C | 16 | 61 | Los Angeles | F | 20 | 68 | Reykjavik | F | 11 | 52 | Zurich | F | 16 | 61 |
| Copenhagen | C | 19 | 66 | Luxembourg | F | 19 | 66 | | | | | | | | |
| Corfu | S | 24 | 75 | Madrid | C | 16 | 61 | | | | | | | | |
| Dallas | S | 23 | 73 | Majorca | C | 24 | 75 | | | | | | | | |
| Dublin | C | 15 | 59 | Malaga | F | 24 | 75 | | | | | | | | |

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

# INTERNATIONAL APPOINTMENTS

## Investment banking head for Kleinwort's US arm

KLEINWORT Benson Inc., the US-based investment banking subsidiary of the Kleinwort Benson Group, one of the UK's largest merchant banks, has appointed Mr Judson P. Reis to head its investment banking activities in the US, effective from the start of this month.

Mr Reis, 45, has been made an executive vice president of the American arm and also a director of Kleinwort Benson Ltd., the parent company in London.

From 1975 to May this year, Mr Reis was e managing director of Morgan Stanley, a major New York-based international investment bank which he joined 22 years ago. He headed part of its capital markets group from 1975 to 1980, and became e eenior member of its mergers and acquisitions (M & A) group in 1981.

He worked on many of Morgan Stanley's significant M & A transactions, including the acquisition of Conoco by DuPont and takeover of Donaldson Lufkin Jenrette by Equitable Life. He has also had much experience working with UK firms such as British Petroleum, BTR, Commercial Union, and Smith and Nephew.

In 1985, Mr Reis was selected to head Morgan Stanlay's insurance group, a post he held until taking sabbatical leave last August. He then served as the Morris Visiting Professor of Business Administration at the Darden School of the University of Virginia for the 1987-88 academic year.

Mr Judson P. Reis

Mr Nigel MacEwan, Kleinwort Benson Inc. president, said: "We are delighted to have a senior banker of Jud's calibre and experience joining our firm."

"Coming to Kleinwort Benson is the best of both worlds," said Mr Reis. "It is an opportunity to lead and grow a tightly focused client-oriented investment banking group in an entrepreneurial environment, while enjoying the advantages of Kleinwort's worldwide reputation, capital base and merchant banking capabilities."

* * *

THE supervisory hoerd of Amsterdam-Rotterdam (Amro) Bank, the Netherlands' secood largest hank, has decided to appoint Mr R.W.J. Groenink, 38, and Mr R.W.F. van Tets, 41, et present senior executive vice presidents, as members of the board of managing directors.

The appointments will be effective from a date to be determined later. Also, Mr H. Heemskerk, 45, and Mr W.G. Jiskoot, 37, are being promoted to senior executive vice presidents from executive vice presidents.

Mr G.E. Loudon has resigned from June 1 as a member of Amro's board of managing directors in order to settle in Great Britain and join Midland Bank, one of the Big Four UK banks, in London as an executive director.

* * *

AMEV, a major international insurance and financial services group based in the Netherlands, has eppointed as chairman of its executive board Mr J.L.M. Bartelds, succeeding Mr F. Roos, who has retired.

Mr Bartelds, 42, has been with AMEV since 1967. In 1979, be hecame head nf the economic departmeot, and in 1983 was made general manager of AMEV Nederland. He joined the executive board last October.

* * *

THE Commercial Bank of Kuwait has named Mr Warren A. Schad senior vice president and chief manager of its New York branch.

He was previously general manager of the US divisioo of Continental Bank of Canada in New York, and then vice president, mergers and acquisitions, after Lloyds Merchant Bank acquired Cootinental in 1986.

## Brambles Industries elects new chairman

AUSTRALIAN-based Brambles Industries, the diversified transport, industrial services and security concern, has elected Mr Alan W. Coates as the new chairman.

His appointment follows the retirement of Mr Oliver J. Richter, 67, in accordance with the company's rules regarding the retiring age for the chairman. Mr Richter will remain on the board as deputy chairman.

Mr Richter, a member of the 113 years old Brambles concern since 1965, became chairman in October, 1982, after a distinguished record of management with the company.

He was responsible for taking Brambles offshore in the 1970s when he established the Chep pallet and specialised container hire services in Europe. During his period as chairman, Mr Richter presided over the most dramatic period of expansion in the company's history.

Mr Coates, 63, joined the Brambles board in August, 1986, after retiring as chief executive of the AMP Society. He was elected deputy chairman shortly afterwards.

He is a director of Chase AMP Bank, CRA, CSR, Pacific Dunlop, Mitsubishi Motors Australia, and Australian Gas Light. He is also chief commissioner of the Overseas Telecommunications Commission.

## PaineWebber names co-directors for corporate finance

THE US PaineWebber Group, parent of PaineWebber Inc., a leading Wall Street and international securities concern, has named managing directors Mr Robert Pangia and Mr Arthur Sharples co-directors of its corporate finance section.

Their new duties were previously the responsibility of Mr John F. Perkowski Jr, former director of investment banking who has resigned to become a general partner of Kluge Subotnick Perkowski and Co., an investment partnership formed by Metromedia.

Mr Pangia, 36, was previously managing director in charge of PaineWebber's Industrial Group with responsibility for new business development. Before joining PaineWebber in April last year, he was a managing director with Drexel Burnham Lambert. From 1977 to 1986, he worked in corporate finance at Kidder Peabody.

Mr Sharples, 42, has been heading the firm's Private Placement Group. He moved to PaineWebber in 1986 from a post of managing director of private placements at Merrill Lynch, which he joined in 1977. Prior to that, he was a vice president at Citibank.

* * *

FORMER Australian Ambassador to China Dr Ross Garnaut has been appointed chairman of the Western Australia State-owned Rural and Industries Bank, the largest banking corporation in the region. This follows legislative changes which came into effect on April 1.

Dr Garnaut, a Western Australian, has been Ambassador to China for three years, during which time a major expansion and diversification of Sino-Australian economic relations has taken place. Before that, he was senior economic adviser to the Prime Minister.

State Premier Mr Peter Dowding said that Dr Garnaut is an outstanding Australian who would continue to make a great contribution to society through his role as chairman of the R and I Bank. "Dr Garnaut's international experience and understanding of the importance of economic development would be extremely valuable to Western Australia."

The Bank, Mr Dowding added, represents an extremely important asset of Western Australia that is contributing much to the State's development.

* * *

UNISYS, the world's second largest computer group, has named as chief financial officer Mr Curtis A. Hessler, a senior vice president of the company.

Mr Hessler, who retains responsibility for the corporate staff groups, replaces Mr Edwin P. Gilbert, who has resigned to pursue other interests.

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Reporting to the General Manager, you will take full responsibility for the finance function of this substantial records marketing group. You should be qualified, aged to 30 and seeking a key decision making role in a highly commercial and fast moving environment. Previous experience gained within a marketing or FMCG group would be ideal.

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DAVID CHORLEY ASSOCIATES

# Accountancy Appointments

## Finance Director

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City

A major reorganisation within this global financial services group has created a new opportunity for a strategically minded Finance Director capable of establishing and moulding a restructured UK Finance Division.

For this key role what will be highly valued are: excellent accounting skills, outstanding management style (results orientated) and broad business experience at a senior level in a blue chip multinational corporate. At this level, personal skills of leadership, drive and clear communication are essential.

The attractive compensation package will include a high basic salary, bonus element and full director level benefits.

This is a career opportunity offering ample scope for further personal development.

Please write in confidence with full CV stating current salary and benefits, and quoting reference MCS/1048 to:
Michael Madgwick
**Executive Selection Division**
**Price Waterhouse**
**Management Consultants**
**No. 1 London Bridge**
**London SE1 9QL.**

*Price Waterhouse*

## Finance Director

**Package to £30,000 + car** — **Pembrokeshire Coast, West Wales**

Our client is a successful and expanding manufacturer and marketer of a broad range of high quality electrical products. The Company has grown rapidly since e management buyout to become e market leader with a turnover in excess of £7 million. New strategic initiatives have been designed to take advantage of the excellent product base and to grow through both acquisition and increased market share.

Reporting to the Managing Director, the Finance Director will have complete responsibility for all the financial affairs of the company. Particular commercial emphasis will be placed on the production and critical analysis of management and financial information, strategic plans, budgets and forecasts. In addition there will be responsibility for managing the accounting team, treasury and taxation matters. Plus, importance will be placed on developing the computerised systems and controls to meet current and future business needs.

Candidates will be qualified accountants, probably aged in their 30s, with e strong finance background gained in a manufacturing company. You must have well rounded accounting skills, combined with the ability to enhance computer based systems and controls. Your approach to management must be flexible and results oriented with the levels of commitment and determination needed to generate change.

This is an excellent opportunity to make a major contribution to the direction of a young expanding company. In return a results oriented package is offered plus the prospect of equity participation.

Please apply in confidence giving concise career, personal and salary details to:-
**Judith Richardson ER 104,**
**Arthur Young Corporate Resourcing,**
**Citadel House, 5-11 Fetter Lane, London EC4A 1DH.**

**Arthur Young** Corporate Resourcing

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## Audit Manager

### City

### Salary circa £30,000 plus excellent benefits package

Our client, a substantiel international business in the food Industry, is seeking to recruit en Audit Manager for its UK Headquarters.

The positinn would suit a Chertered Accountant who can offer varied experience of internal/external eudit functions, as well es a thorough knowledge of computerised systems. In addition, experience of nperational eudits would be en advantage.

We ere looking for en individuel who can demonstrate flexibility, who possesses good inter-personal skills end is keen to develop his career ae part of a smell team.

There are eignificant npportunities, within the next two to three years, for further advancement to nperational Finence Director status.

Thie ie a senior position offering a competitive salery within e forward thinking, International nrganisation.

Candidates should write, enclosing e current CV, with details of remuneration to: The Welbeck Group Ltd., Panton House, 25 Haymarket, London SW1Y 4EN.

**ESTATES MANAGER (FINANCE)**
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Progressive PLC are looking for an enthusiastic Manager to co-ordinate on-site managers and assume control of £3m + rents. Experience of computerised management systems and the ability to work to deadlines, reporting directly to the Board.

Please phone Mike Morell of Meridian Accountancy on 01-225-1555

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**W1 £15-£19,000 Neg**

Well-established small multi-faceted merchant bank seek a Financial Project Manager. You will be reporting directly to the Board Directors on all financial matters relating to project financial and accounting records and input required on structure and assignments.

Preferably under 30 you should be at least part-qualified and computer literature. Experience of financial services sector essential.

**Please contact Sue Turner on 01-629 7262**

ACCOUNTANCY APPOINTMENTS

## YOUNG FINANCE CONTROLLER

**LONDON, CITY - £20,000, CAR**

Our client, a specialist research based marketing consultancy has achieved significant growth and repeat business through its portfolio of blue chip clients.

Continuing success has resulted in an opportunity for an ambitious and enthusiastic professional to become a key member of its management team.

In addition to full responsibility for all day to day accounting, the role will also encompass the provision of management and financial information, and the establishment of effective control procedures. There will be particular emphasis on profitability forecasting and financial analysis.

Candidates will be newly qualified accountants, able to adopt a flexible, sleeves up approach. They will also be pro-active and confident in the knowledge that their contribution will be an important factor in the future growth of the company.

Please telephone or send your curriculum vitae to A. E. Coxen, CKL Accountancy Limited, 299 Oxford Street, London W1R 1LA, telephone 01-409 0695/01-493 0553.

CKL

## Credit Management

... Young professional for the retail sector
c £24,000

Our client is one of the UK's leading retail organisations, with a reputation for innovation and profitability. Arising from continuing growth and the introduction of new business ventures, a credit management/debt recovery specialist is now required. Responsibility will be to review existing policies and procedures, and to develop and introduce even more advanced systems. You are likely to be 30-35, a graduate and/or professionally qualified (e.g. Accounting) with some years experience in this field. You must have systems experience and a knowledge of the latest techniques (e.g. points rating). A first class track record, together with the individual qualities to succeed in e dynamic retail environment, are essential. There are outstanding opportunities for further development, subject to performance. Location: North West. The remuneration package includes an attractive salary, pension scheme, and life assurance, private health cover and relocation costs where appropriate.

If you have the drive, commitment and experience necessary to make a significant impact in this area, please write to: Richard Crosby, Executive Search and Selection, P-E Inbucon Ltd, 212 Washway Road, Sale, Cheshire M33 1RN, with a comprehensive CV, or telephone 061-962 8866 for an Application Form quoting Ref. B4031.

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## FINANCE DIRECTOR

c.£37,000 + Car + Benefits
North West London

Our client, William Levene Ltd, is a growing and profitable company involved in the marketing and distribution of a wide range of consumer goods. The present management has achieved a strong market presence and their plans for the future involve further significant expansion. The new F.D. will strengthen the management team by providing effective financial planning and control.

This position is an exciting opportunity for a Chartered Accountant with strong technical accounting skills and experience of systems development who has the personal credibility to liaise effectively with the company's outside financial advisers. It will appeal to candidates aged 30-40 who are currently working in a consumer goods or product led organisation either as an F.D. or No 2 in their department and who are capable of making a real contribution to the business.

For further details please contact the company's recruitment consultant, Sue Handley Jones, on (01) 583 0073 or (047) 483 2156 (evenings and weekends) or send her a detailed career history.

16-18 NEW BRIDGE ST, LONDON EC4V 6AU.

**BADENOCH & CLARK**
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## Marketing Officer

The London Branch of a leading Arab Bank requires an individual to market a broad range of Bank services to individuals and corporates both in the UK and overseas.

Fluency in English and Arabic, both written and spoken, is a prerequisite to this position together with appropriate banking background or an ability to demonstrate sound commercial experience.

Candidates with suitable qualifications and experience should apply in writing to: PO Box A0910, Financial Times, 10 Cannon Street, London EC4P 4BY.

# Group Accountant

## c.£25,000 + Car

This vacancy is at the corporate centre of a blue chip international plc expanding its already extensive interests by a programme of strategic acquisitions.

Responsibilities will include group statutory accounting and consolidation; work on acquisitions and divestments; provision of guidance an technical financial accounting issues; and further refinement of advanced computer based consolidation and accounting systams which are at tha forefront of current practice. In addition there will be the opportunity to gain experience af North American accounting requirements.

Applicants should be Chartered Accountants with a minimum of 2 years post qualification experience including large company consolidations. Entry to the Group at this level is a recognised springboard for career progression into other areas of financial management.

The corporate centre is located near tha Essex section of the M25. Ralocation expenses will be availabla where appropriate.

Please reply in confidence quoting Ref: E129 to:

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Mason & Nurse Associates
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McKinsey & Company, the foremost international strategy consulting firm, seeks to recruit outstanding men and women for its expanding London office.

You will be aged between 27 and 32 and have a record of distinctive achievement with a top international accountancy firm, and perhaps subsequently with a blue chip bank or industrial company. Professional experience should include demonstrable success in audit, tax or consultancy. Experience of special investigations or corporate finance will be a distinct advantage.

In addition to your ACA you must have exceptional academic qualifications and proven leadership ability. You should have the maturity and poise to interact with chief executives of major corporations.

Although you will have excellent prospects where you are, your interests and ambitions will lie in general management and in developing and implementing business strategies.

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If you are interested in becoming a strategy consultant with McKinsey, and consider that you have the necessary qualifications, please send your curriculum vitae to Peter Foy, Managing Director, McKinsey & Company, 74 St James's Street, London SW1A 1PS quoting reference FT/96.

Your application will, of course, be treated in the strictest confidence.

McKinsey & Company

# ASSISTANT GROUP CONTROLLER

## Thames Valley c£30,000 + car

A major British plc, our client is at the forefront of technology worldwide in a number of fields. Recent acquisitions have significantly increased the scope and impact of the group and it is committed to further expansion, both organically and by further acquisitions.

This is an important head office position. Working closely with the Group Controller, you will manage a small team producing management and statutory accounts and ad hoc financial reports. Keeping abreast of accounting standards and legislation you will guide and advise commercially minded subsidiary company controllers in order to maintain the high quality of reporting within the group, both at home and overseas.

Applicants should be qualified accountants aged late 20s/early 30s, computer literate with strong technical skills gained at managerial level in the profession or in commerce.

Success in this position will create further opportunities either at head office or subsidiary level. Assistance will be given to relocate to this attractive area which is within easy travelling distance of London.

**Please write with full career details or telephone David Tod BSc FCA quoting reference D/731/BF.**

LLOYD MANAGEMENT Selection Consultants 125 High Holborn London WC1V 6QA 01-405 3499

LLOYD MANAGEMENT

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# FINANCE DIRECTOR

## negotiable c.£50-60,000 + benefits

Capital Radio plc is the UK's largest independent radio company. In recent years is has experienced strong growth in profits and is becoming an increasingly diverse communications group following a number of acquisitions and new ventures. Early in 1987 the Group secured a listing on the Londoo Stock Exchange, and in that year it made pre tax profits of £3.9m on a turnover of £22.3m. Last month it announced half year profits of £3m.

The current Finance Director is leaving Capital Radio at the end of its financial year (September 1988) and the company is seeking to appoint a successor to start around that time. The individual will be expected to play a key role in the strategic development of the company working within a small management team at Board level. The post will also call for a high degree of flexibility and readiness to become involved in routine accounting matters.

Candidates should be chartered accountants. Previous industry sector experience is not essential but candidates should have an enthusiasm and capacity for working in a fast moving aod changing environment, and possess the personal skills to establish good relationships with a wide range of individuals. Several years' post qualification experience at a senior level in business is a prerequisite, as is the knowledge and authority to liaise effectively with financial institutions and professional advisers.

Please write in confidence enclosing career details, quoting ref. C8249, to Valerie Fairbank.

KPMG Peat Marwick McLintock
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9 Creed Lane, London EC4V 5BR

# Capital Markets

## c£19-23,000 + Benefits

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- Group Accounting – To be part of a qualified specialist team responsible for all group management accounts and general reporting.
- Technology Accounting – To work as an accountant in the Technology Department with specific responsibility for budgets and control of both capital and revenue expenditure.
- Company Secretarial – To assist the Group Financial Controller in carrying out his company secretarial duties, and in developing accounting controls.
- Internal Audit – To be an integral part of a developing worldwide Internal Audit Department.

Due to the client's flexibility of approach there is scope for successful candidates to use their full potential in developing these roles, and to build a wide knowledge of capital markets products.

Career prospects and direction are based purely on ability, aptitude and personal motivation.

The ideal candidate will probably be a graduate, have a large firm background, be able to meet tight deadlines and have sufficient confidence to communicate effectively at all levels.

Our client seeks candidates with strong personal characteristics to fit in with the profit-orientated style. Each candidate will be considered for all four positions above unless we are specifically notified otherwise.

If this is a challenge which you feel able to meet, please contact Diane Forrester ACA on 01-831-2000 or write to her at Michael Page Partnership, 39-41 Parker Street, London WC2B 5LH.

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The position carries responsibility for financial control and accounting with the support of 25 staff. However, the focus will be on making a proactive contribution to the management process. You will be expected to provide meaningful management information and advise on the financial implications of commercial options, as well as managing the provision of Central Services.

Candidates must be qualified accountants, probably aged between 28 and 35. Your experience should include progress within a larga company and ideally, exposure to a sales oriented operating unit environment. On a personal level you should hava good interpersonal skills, initiative and commercial judgemant.

Tha positioo commands a competitive salary, executive car and the benefits normally given at this senior level.

Please write in confidence with concise career, personal and salary details, quoting Ref: L356 to:

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# FINANCE MANAGER

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Reporting to the Finance Director, this broadly based position has responsibility for financial control in the London based operating unit and a substantial Central Services Group. You will work closely with other functional managers to evaluate business performance and manage a small team. Responsibilities at a group level will include statutory accounting, asset management, taxation and a variety of projects.

Candidates should be qualified accountants aged between 30 and 35, with a track record of progression in a commercial environment. Good interpersonal skills will enable you to work effectively with other functional managers. Professionalism, assertiveness and initiative will ensure your success in this stimulating environment.

Please reply in confidence giving concise career, personal and salary details to Heather Male, quoting Ref L353 at:

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# Financial Controller

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- Market leader
- Growth through diversification
- International Exposure

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As well as developing and marketing turnkey mini-computer ticketing and accounting systems, Space Time Systems operates First Call, a 24 hour 7 day a week credit card booking service for theatres, concert halls and cinemas. Launched two years ago First Call is already one of London's biggest ticket retailers.

You will be responsible for developing the accounting function, treasury management, computerised financial systems, cash and credit control. This is the number one finance position in the Group and increasingly you will be expected to contribute significantly at Board level to management, strategic and business issues.

You should be a qualified Accountant, probably aged 28-35, with several years post qualification experience. An excellent motivator and organiser, you should also demonstrate strong systems skills and a keen appreciation and ability to capitalise on business opportunities.

Interested applicants should write in strict confidence enclosing an up to date CV to Pippa Curtis, Douglas Llambias Associates, 410 Strand, London WC2R 0NS, quoting ref 2190.

FINANCIAL & MANAGEMENT RECRUITMENT CONSULTANTS

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DOUGLAS LLAMBIAS ASSOCIATES LIMITED, 410 STRAND, LONDON WC2R 0NS

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**Appointments Advertising Appears on Wednesday and Thursday**

**£47 s.c.c**

**Premium Positions**

**£57 s.c.c.**

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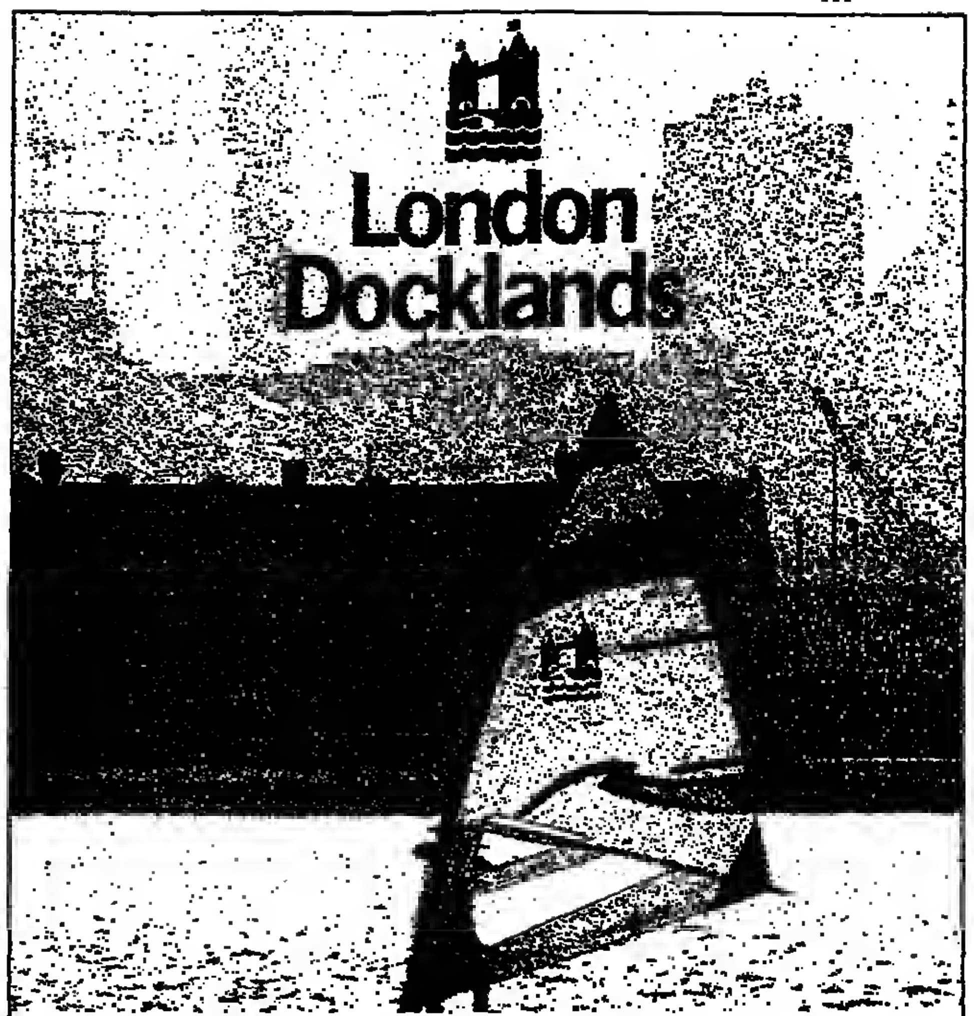


# Financial Controller

Up to: £31,000 + Car Scheme

The London Docklands Development Corporation is engaged in the most significant and successful regeneration project in Europe and the Corporation's Financial Team are very much part of the central decision-making process. The regeneration task involves the attraction of private investment alongside an extensive and directly funded project programme of land reclamation, infrastructure and environmental works and community and business support.

Reporting to the Deputy Chief Executive/Director of Finance & Administration, this senior management position has day to day operational control of all aspects of the Corporation's financial management. This includes the financial and management accounts and information systems, together with financial and economic analysis. Key aspects of the role will be the detailing and management of all financial controls and regulations, the preparation, with the Director, of the Corporation's Annual Report and Accounts, as well as the broad general requirements of advising the Director in the strategic and disciplined planning and deployment of the Corporation's financial resources.

The ideal candidate will be a chartered or public finance accountant with substantial post-qualification experience and with proven managerial skills; experience in the profession or property or construction sectors will be an advantage.

Candidates should send their C.V. to: **David Lowman, Head of Personnel & Administration, London Docklands Development Corporation, Unit A, Great Eastern Enterprise, Millharbour, London E14 9TJ.**

Applications will be reviewed on **Monday, 27th June, 1988.**

An Equal Opportunity Employer.

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# SENIOR ACCOUNTANT

**c£18,000** **NORTH WEST**

**Private Health Scheme + Pension + Car Scheme**

The Head Office of a billion pound, multi-national group of companies with offices in Europe, USA, South America, Africa and Australia, seeks to appoint a Senior Accountant who will become an important member of a team servicing the main board on special projects including acquisitions and divestments. Other key areas will include:—

*Statutory financial reports* •
Regular management reporting • Corporate planning

Occasional international travel will be required.

To qualify for this excellent opportunity you will need to be a fully qualified A.C.A. with a minimum of two years post qualification experience, not necessarily in industry.

In return, you will be offered a salary of £18,000, car scheme, private health scheme, pension and other *large company benefits.*

For more details and to arrange an interview contact ANDREW KIRK on 061 832 5856.

**ATA ACCOUNTANCY RECRUITMENT**

Anglia House, 86 Cross Street, Manchester M2 4LA

PART OF ATA SELECTION plc

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# Accountant Property PLC

**Central London** **£22,000 (car negotiable)**

Our client is the property company of an innovative group comprising several household names. Operating as an autonomous, commercial business with a capital base approaching £1 billion, it is involved in a range of retail property and development ventures. Expansion has created the need for a computer literate, qualified accountant to undertake a variety of project work before moving into a line role within 12 months.

This is a high profile position in a pressurised environment and if you communicate effectively and think creatively this dynamic group offers fast-track career prospects.

**Contact Vivienne Hines at Rochester Recruitment Limited, Moor House, London Wall, London EC2Y 5ET** or telephone on **01-256 5611**

**ROCHESTER**

*International Search & Selection*

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# THE FRONT LINE...

**Business Analysis Manager**

**£35,000 + car**

...an apt description, when you consider the products of my brand-leading City client. In competitive markets, brand leaders only remain so through aggressive *marketing*, committed management and effective financial strategy. The last mentioned is where you come in.

A graduate accountant, aged 30-38, with international line experience, you will work closely with the Managing Director of a £100m Division. Key tasks include business plans, budget monitoring, capex appraisals, acquisition studies and the ongoing provision of commercial/financial management advice.

To apply, please write to me, Kiran Cartner, enclosing a C.V. or telephone for further information, in either case quoting ref. 5100.

RECRUITMENT SELECTION & ADVERTISING

EXECUTIVE CONNECTIONS

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# A direct line to the executive shortlist

To secure the best appointments at a senior level needs more than good advice, accurate objectives and succinct presentation.

InterExec not only provides career advice, but also a unique service to bridge the critical gap between counselling and the right job. Why waste time and money on unproductive letters?

InterExec clients do not need to find or apply for appointments. Over 50 full-time staff with over 5,000 unadvertised vacancies p.a. enable InterExec to offer the only confidential Executive placement service.

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For an exploratory meeting without obligation, Telephone InterExec on 01-930 5041/7

A member of the Career Development & Outplacement Division

Landseer House, 19 Charing Cross Road, London WC2H 0ES

InterExec

**FOR ACCOUNTANTS**

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# Hoggett Bowers

*Executive Search and Selection Consultants*

BIRMINGHAM, BRISTOL, CAMBRIDGE, CARDIFF, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, NOTTINGHAM, SHEFFIELD and WINDSOR

*A MEMBER OF BLUE ARROW PLC*

## Group Financial Controller

***Food Industry***

***North West, c £27,500, Car, Excellent Benefits***

The major division of a rapidly expanding £250m turnover UK plc is looking for a Group Financial Controller to be responsible for all financial aspects of the 5 diverse Companies operating within this division. Reporting to the Group Commercial Director, the principle role is to improve the financial and reporting procedures of the division which accounts for over 60% of group turnover. Particular emphasis is on strong financial and cash control as well as reviewing existing computerised accounting and management information systems. Candidates, aged 28-35 will be highly qualified accountants who will currently be operating as senior finance executives in a £50m plus manufacturing environment preferably with experience of food manufacturing. Strong man management and communication skills supported by technical ability and a high degree of business acumen are the essential qualities required to succeed in this challenging new appointment which offers genuine prospects of rapid promotion. The remuneration package is excellent and relocation expenses will be paid if appropriate.

*Mrs. J. Cull*, Hoggett Bowers plc, *St. James's Court, 30 Brown Street*, MANCHESTER, *M2 2JF*, 061-832 3500. *Ref: M16028/FT.*

## Financial Controller

***Retail Sector***

***Birmingham,***

***Up To £25,000, Exceptional Bonus Potential, Car***

An operating company within Hanson plc group, this £80m turnover retailing business is a UK market leader in its specialised field. A first class financial controller is required, at a time of progressive change, to take full control of the financial function and contribute at senior level to the strategic running of the business. Responsibilities cover the submission and analysis of management accounts, cash flow management, financial planning and budget co-ordination, systems development and the key interface role with the parent company. Candidates, qualified accountants, will be proven financial managers, who can demonstrate a broad based commercial skills. Future prospects within the group are second to none.

*K.H. Thompson*, Hoggett Bowers plc, *13 Frederick Road, Edgbaston*, BIRMINGHAM, *B15 1JD*, 021-455 7575. *Ref: N13075/FT.*

## Financial Number One

***Manufacturing/Engineering Sector***

***South West Midlands, To £25,000, Car, Benefits***

A highly successful member of an international group; the company is a market leader in its specialised field. In this position you will report to the Administrative Director, and will be a key member of the Senior Management Team supporting the manufacturing operations in the UK by the provisions of a Professional Management and Financial Accounting function. You should be a qualified accountant, preferably ACMA with a degree or equivalent qualification in a business related subject and will be in your mid 30's or older. You must have more than five years experience in a manufacturing/engineering environment in a multi-unit organisation and a sound understanding of computerised financial accounting systems is essential. Employment terms are excellent and include a company car, private health care and family, pension and health screening. A relocation package is available where applicable.

*C. Pritchard*, Hoggett Bowers plc, *13 Frederick Road, Edgbaston*, BIRMINGHAM, *B15 1JD*, 021-455 7575. *Ref: B16042/FT.*

## Chief Accountant

***Take This Motor Car Distributor Into The Top Ten***

***West Sussex, To £25,000, Car, Benefits***

A commitment to quality products and new product launches will enable this marketing orientated company to achieve its declared intention to be one of the top 10 car companies in the UK by the 1990's. The business currently turns over £40m and is a subsidiary of a leading British plc. Reporting to the Financial Controller you will be responsible for providing accurate, regular and up-to-date financial information on all aspects of the company's operations. In this highly visible role, you will be required to assist in the preparation of medium and long term corporate plans, carry out financial investigations and project appraisals, and provide leadership and direction to the finance function. Aged 25-40 with a recognised accounting qualification, you should have at least 5 years experience gained in a professionally managed company. Your experience of computerised accounting systems and Lotus modelling must be complemented with the ability, flair and commitment to develop and improve existing accounting procedures in order to handle the growth in business. If you are determined, able to work to tight deadlines and ambitious, the Group offers excellent career prospects, an attractive range of benefits, and relocation assistance if appropriate.

*R.J. Simpson*, Hoggett Bowers plc, *George V Place, 4 Thames Avenue*, WINDSOR, *SL4 1QP*, 0753-850851. *Ref: W17025/FT.*

## Group Management Accountant

***Food Industry***

***North East, To £20,000, Car, Profit Share***

As a direct result of its dedication to quality and innovation, The Derwent Valley Food Group Ltd, manufacturer of the highly respected Phileas Fogg range of snack products, is undoubtedly one of the UK's outstanding successes. Already recognised as a leader in their field both nationally and internationally, they now require a dynamic individual to play a key role in their planned programme of profitable expansion. Reporting to the Main Board, you will be responsible for providing guidance in the strategic development of the company by actively maintaining and developing a financial framework in which key group decisions can be effectively made. Aged under 35 and a qualified accountant, you will have previously held full accountability for the provision of financial information and reports and be experienced in the implementation and growth of computerised systems. In addition, you must also possess the necessary level of commercial acumen and creative flair which would allow you to flourish in this challenging and stimulating high profile role. Prospects for career advancement in this expanding organisation are excellent.

*D.R. Davidson*, Hoggett Bowers plc, *4 Mosley Street*, NEWCASTLE-UPON-TYNE, *NE1 1DE*, 091-232 7455. *Ref: N15053/FT.*

These positions are open to male or female candidates. Please telephone for a Personal History Form to the relevant office, quoting the appropriate reference.

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# FINANCIAL CONTROLLER

## (DIRECTOR DESIGNATE)

**Greater Manchester** **Age 28/35**

**£30/35,000 + exec. car + benefits**

Our client is a high-profile, dynamic consumer durables company that has achieved a £40 m+ turnover within an impressive timescale. Their unique blend of design flair, marketing expertise and outstanding service has earned them the No. 1 position within their industry in Europe.

Their plans to thrust forward to their next stage of development will demand improved financial controls throughout the organisation. This new position will spearhead that programme. You will introduce fresh ideas, install and overhaul systems, establish accounting disciplines and train staff towards better performance within their particular roles. You will be supported by a team of experienced managers and almost 50 personnel. Bringing profit responsibility to a national network of 30 branch offices will be an early priority.

This position suits a qualified accountant with a very successful career record and experience in a demanding, sales-driven environment. Energy, commercial alertness and a positive, articulate manner are the personal qualities that match the company culture. Working closely with the Chief Executive you will expect to make a major impact on the business and justify your own Board appointment before too long.

**Please apply to Dudley Harrop at our Manchester office quoting reference M885.**

ASB RECRUITMENT LTD

Eagle Buildings, 64 Cross Street, Manchester M2 4JQ Tel: 061-834 0618

Trident House, 31-33 Dale Street, Liverpool L2 2HF Tel: 051-236 9373

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# CORPORATE TAX

***Up to £20,000*** ***Edinburgh***

Christian Salvesen is a British-based international company with a particularly successful diverse range of business interests.

Continued growth and future development plans have created a requirement for an ambitious Tax Accountant to join our Corporate Treasury Department.

Your initial responsibilities will cover a wide range of tax matters involving our UK companies and we expect you to progress rapidly to supervisory responsibility for a number of European subsidiary companies.

A graduate accountant, you should have around two years corporate tax background ideally gained in a major company, where your commercial acumen and above average communication skills will have been well developed.

Salary is negotiable up to £20,000 and the normal large company benefits include worthwhile relocation assistance to Edinburgh.

Please send a full CV to: M. C. Barrie,

**Christian Salvesen PLC**

50 East Fettes Avenue,
Edinburgh EH4 1EQ

# FINANCIAL CONTROLLER

## GROUP PENSIONS DEPARTMENT

### London to £30,000 + Car + attractive benefits

Our client is a major international public company. It is part of a fast expanding communications group which is already one of the front runners in most of its chosen markets.

The Group Pensions Department provides a professional in-house pensions management service to operating companies, several of which have been only recently acquired. With some 25,000 employees and pensioners now currently participating in various group schemes, has come the need to improve and develop the department's financial and management accounting controls: hence the creation of this new position.

The role will require an adaptable and flexible approach, hands-on involvement, the ability to liaise effectively with senior management and trustees and the character to impose effective professional management and disciplines.

The appointee is likely to be an ACCA/ACMA with at least two years' post qualification experience and an appropriate record of successful problem solving. Previous responsibility for pensions management accounting and investment accounting is desirable but not essential.

Please write, in confidence, enclosing full career details and quoting ref. P1503, to Mike Blanckenhagen.

KPMG Peat Marwick McLintock
Executive Selection and Search
*9 Creed Lane, London EC4V 5BR*

Accountancy Appointments Also Appear on Pages 10, 11 & 12

# Financial Controller

## Berkshire

## £30,000 + bonus + car

Our client is a successful, professional legal firm with six offices located within the Thames Valley. The organisation covers a wide range of principally commercial work, not only within the region but also throughout the UK.

Reporting to, and working very much with, the Partners, a Financial Controller is now sought to manage the total financial and administrative function. This is considered to be a key role and, as such, the new Controller will assist in determining and effecting the future direction and expansion of the firm.

Candidates, age indicator 35-45, should be chartered accountants who can bring not only sound professionalism to the business but also the ability to manage a team of eight staff, improve computerisation and reporting methods and possess the strength of personality to work alongside the Partners participating in the growth of the business.

Please telephone or write enclosing full curriculum vitae quoting ref: 219 to:

Philip Cartwright FCMA,
97 Jermyn Street,
London SW1Y 6JE
Tel: 01-839 4572

Cartwright Hopkins
FINANCIAL SELECTION AND SEARCH

# Finance Manager

## North Cambridgeshire c£27,000 + Car

Our Client is a dynamic and highly profitable £200m turnover subsidiary of a prestigious international group. The company is an acknowledged market leader in the manufacture of "high tech" electronic equipment.

They now wish to appoint a Finance Manager at their largest manufacturing site. The successful candidate will report to the General Manager and have control of 17 staff. Responsibilities will include the management of the accounts function and development of manufacturing information systems. There will also be a requirement to make occasional visits to the USA. The role forms a key part of a small management team who are expected to make a significant contribution to the continuing rapid growth of the company.

Candidates will be Qualified Accountants, preferably CIMA, aged between 30-38 with a strong manufacturing background. Mature inter-personal communications skills are vital as is the ability to manage within a rapidly changing environment.

This role represents an outstanding career opportunity with an acquisitive group and includes an attractive salary package plus a fully expensed car, profit related bonus, private health care, pension and relocation package where applicable.

Interested candidates should write to **Tony Hodgins ACA, Executive Division, Michael Page Partnership, Bennetts Court, 6 Bennetts Hill, Birmingham B2 5ST,** enclosing a comprehensive CV.

Michael Page Partnership
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

eastern electricity

# Head of Corporate Finance

## Participate in Privatisation

### Ipswich
### c £36,000 + car + benefits

Following Government initiatives, Eastern Electricity is scheduled for privatisation with its associated flotation within the next 2 years.

Eastern Electricity is the largest electricity distributor in England and Wales, servicing nearly 3 million customers and with a turnover exceeding £1.3 billion. As such, the demands and challenge being placed on management now call for a Head of Corporate Finance.

*Reporting to the Director of Finance,* the role will include responsibility for statutory accounting, financial forecasting and modelling, taxation and insurance. Of importance also will be the management of change in terms of practices and procedures and a significant contribution to other privatisation Issues.

Candidates should be aged 35+ and be qualified accountants. Experience in a senior accounting role is essential and this should have been gained within a medium/large company (ideally public) with sophisticated computerised systems. Those with experience in a *large scale utility supply company* will be of particular interest. Personal characteristics should include commitment, energy and flair, plus the determination to succeed.

Compensation and benefits will be excellent and relocation will, if appropriate, be provided.

Price Waterhouse are advising Eastern Electricity on this appointment and applications will be treated confidentially, but will be discussed with our client. Please send a full CV quoting reference MCS/3005 to Janet Stockton

**Executive Selection Division**
***Price Waterhouse***
**Management Consultants**
**No. 1 London Bridge**
**London SE1 9QL**

*Price Waterhouse*

# CORPORATE PLANNING MANAGER

**c.£35,000 + Substantial Bonus + Car**

**Central London**

Our Client is a major public Group with an impressive record of innovation, growth and profitability. An exceptional opportunity exists to play a crucial role in the strategic development of this successful Group.

The Corporate Planning Manager will be involved in formulating corporate strategy and both identifying and evaluating business development opportunities.

The long range planning process embraces both financial and marketing strategy whilst specific project-related investigations, acquisition evaluation, financial structuring and feasibility studies will require close collaboration with other Group functions.

*You will find a demanding and stimulating environment requiring a high* standard of commercial judgement and analytical ability. Suitable candidates, preferably graduates aged late 20's – early 30's, will possess a formal accounting qualification or a finance oriented MBA and offer experience within the centre of a large Group, preferably FMCG. Candidates should have had previous involvement in the development of overall business strategy.

Please apply directly to Jeff Grout at Robert Half, Freepost, Walter House, Bedford Street, 418 The Strand, London WC2R 0BR. Telephone 01-836 3545, evenings 01-948 4712.

Financial Recruitment Specialists
London · Birmingham · Windsor · Manchester

ROBERT HALF

# Fast-track Accountant

## c. £25,000 + car

TOSHIBA

As a high achieving individual with an impeccable pedigree in financial accounting, you will find no shortage of opportunities in today's market. Very few, however, will hold the kind of promise associated with Toshiba's highly respected name.

Continual development means that Toshiba (U.K.) Ltd now seeks a new head for its Financial Accounting function. It is an opportunity for you to take a high profile role, leading and motivating a small team. Your enthusiastic and open style will reflect the strongly supportive and positive team attitude which characterises Toshiba.

The business philosophies are progressive in terms of management development as well as marketing strategy. Toshiba will look to you to play a key role in driving the department forward. Your career progression will be a direct result of your input.

*You will be a qualified accountant, ideally a graduate* ACA, with 2-3 years' experience in the well-managed accounts department of a large organisation, supervising a small team. Systems experience will, of course, be essential.

If you have the right blend of professional competence, drive and management abilities, please write – in confidence – to Nigel Bates FCA, ref. B.34030.

MSL International

**MSL International (UK) Ltd,**
**32 Aybrook Street, London W1M 3JL.**
*Offices in Europe, the Americas, Australasia and Asia Pacific.*

FKB Group plc

# Divisional Financial Controller

## West London to £26,000 + BMW 325i + Bonus

FKB is a highly successful and expanding group of companies operating at the forefront of the sales promotion and marketing fields. This impressive growth is continuing both organically and by acquisition, including recent major acquisitions in the United States.

They are currently seeking a young ambitious individual to be responsible for:

- ★ providing support and advice to the directors of several of the operating companies, through continuous communication and attendance at management meetings;
- ★ monitoring and reviewing all financial aspects of these operating companies;
- ★ performing ad hoc projects relating to the Group's future expansion, e.g. acquisition studies.

The successful applicant will be an ACA in their 20's, with at least 2 years' post qualification experience preferably in a "hands on role" in industry/commerce. It is also essential that he/she will possess outstanding communication skills and excellent commercial awareness, as the role will encompass extensive involvement with highly motivated, entrepreneurial Directors.

In return, FKB offer an excellent remuneration package including an executive car, discretionary bonus and share options. More importantly, the future prospects within the Group are second to none, both in the UK and overseas.

If you are interested in this challenging role, please send your comprehensive curriculum vitae to Paul MacIldowie ACA, 39-41 Parker Street, London WC2B 5LH, or telephone him on 01-831 2000 quoting ref. 513.

Michael Page Partnership
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

# *Management & Systems Accountant*

## *Tax free salary* *Saudi Arabia*

Our client, an affiliate to a major U.S. oil corporation, has an opportunity for a Management and Systems Accountant to join its operation in Jeddah, Saudi Arabia.

Reporting to the Controller/Accounting Manager you will have a major role in maintaining and developing the company's computer based financial systems. You will also be responsible for the supply of monthly and quarterly management accounts, budgets and reports and assist in the preparation of the annual profit plan.

Ideally a graduate, you should have at least two years' post qualification experience with a large commercial organisation and a thorough knowledge of computerised systems. Highly self-motivated, you will possess excellent analytical skills.

The attractive remuneration package comprises:

- Tax free salary
- One year renewable contract
- 31 days home leave with air fares paid
- Free furnished, air conditioned housing
- Car purchase scheme
- Free medical cover

In the first instance, please write in confidence with a full c.v., quoting reference 672/NJB/88, to: Nigel Bastow, Austin Knight Selection, 17 St Helen's Place, London EC3A 6AS. Or telephone him on 01-437 9261. (01-256 6925 evenings/weekends).

Austin Knight Selection

هكذا صدر الأصل



**BEST WESTERN HOTELS**

**DIRECTOR OF FINANCE**

Hotel Marketing — c£25,000 + Car
Kingston upon Thames — + Benefits

Best Western is Britain's largest marketing consortium with a membership of over 200 3 and 4 star hotels and affiliations to a further 3,100 worldwide.

**THE ROLE:** Responsible for the complete financial affairs of the Company, the applicant must be familiar with the disciplines of regular management accounts, cash management, credit control etc., and have a thorough knowledge of computer accounting and MIS.

**THE PERSON:** Reporting to the Chief Executive and likely to be in their mid/late 30's and almost certainly an FCA, the successful applicant may well be working in a service industry and he/she must be able to demonstrate first class administrative skills and the ability to manage a team of 10 staff.

*Please send a C.V. and salary history to:*

**The Chief Executive, Best Western Hotels, Vine House, 143 London Road, Kingston upon Thames, Surrey KT2 6NA**

# FINANCIAL CONTROLLER

**Marina and hotel/leisure development, Cambridgeshire**

Rapid forecast growth in the development of a marina site has lead to the requirement for an ambitious, recently qualified accountant to take control of all aspects of the accounting function.

Reporting to the Group Financial Director, the successful candidate will have to display the technical skills and flair necessary to develop and maintain the accounting systems of a large and diverse operation. The salary offered for the job will be in the region of £17,000 per annum, and there are good prospects for promotion within this rapidly expanding Group.

**Please send your curriculum vitae in complete confidence to: H S Watson, Financial Director, JPI Group, Plantagenet House, Kingsclere Business Park, Kingsclere, Newbury RG15 8SW.**

JPI

*ACCOUNTANTS/ECONOMISTS/MBAs to £40,000 + CAR*

THE WIDOW AND THE HEN — FABLE 9

A WIDOW woman kept a Hen that laid an egg every morning. Thought the woman to herself, "If I double my Hen's allowance of barley, she will lay twice a-day." So she tried her plan, and the Hen became so fat and sleek, that she left off laying at all.

Figures are not always the facts.

# The ultimate chicken and egg conundrum.

Aesop's fable, "The Widow and the Hen", is perhaps a typical example of the type of problem presented to a major Management Consultancy practice like Touche Ross. Finding the practical *business solution provides many people with the* ultimate intellectual stimulation and career fulfilment.

Should you join us as a Management Consultant, your first response to a client briefing might be to question the figures in front of you. You will want to *know if the figures accurately represent the facts.*

In other words, each business problem has to be individually assessed and individually solved. Solutions are never, ever standard. You would be supported in this task by a team of like-minded colleagues, each a *specialist in his or her own right – and each concerned* and motivated to deliver the client a creative, cost-effective strategy.

You will be called upon to tackle a broad range of project work from small companies to multi-nationals, *nationalised industries and Government departments,* so the variety is genuinely wide and challenging.

Our requirement is for professionals from all industrial or commercial sectors, although currently we also have a specific need for people with a record of excellence in hotel and catering management.

To achieve success you will need to be a natural innovator, a born communicator and a quick learner. On the other hand, you must also be practical, logical and a good listener. All-in-all it takes commitment and courage and often involves pitching in at the deep end; but the rewards are high, both financially and in the context of job satisfaction. Salaries are in a broad range of £25-40,000 plus a car and partnership is achievable within 3-4 years.

Our educational requirements are a good first degree and preferably an MBA or appropriate accounting qualification – a second language would also be an advantage. So, if you're aged 25-35 and you like what we've told you so far, you shouldn't need much egging on to send your full cv, to: Michael Hurton, (Ref 2922), Touche Ross Management Consultants, Thavies Inn House, 3/4 Holborn Circus, London EC1N 2HB. Tel: 01-353 7361.

**Touche Ross**
**Management Consultants**

# Accountancy Personnel

*Placing Accountants First*

**Data General**

## AUDITOR–EXTENSIVE TRAVEL, WORLDWIDE

**Hounslow Based — c£18-19,000**

Our client, one of the World's fastest growing computer Co's., offers an unrivalled opportunity to a Newly Qualified Accountant. Providing an exciting and diverse role, involving extensive travel throughout Europe, Asia and South America. You will be responsible for the operation and development of the Audit Process, as well as assisting the International Audit Director in various specialised Projects.
Rapid progression into Audit or Line Management is assured to an ambitious individual, along with an attractive Salary + Benefits package

For further information please contact:
Accountancy Personnel,
Hodford House,
Suite 24-25,
17-27 High Street,
Hounslow TW3 1TA
Tel: 01-570 1616

ROLLS ROYCE

## ACCOUNTANTS

**Bristol and Derby**

In joining one of the UK's most prestigious Companies you will have the opportunity to gain superb early career experience in a challenging high-technology environment. Company and product familiarisation are seen as essential requirements before moving into a line role and this knowledge can be gained whilst making a significant contribution to the enhancement of business efficiency which has been a cornerstone of the Company's success in recent years.
If you have qualified in the last 3 years and are looking for the perfect career move into industry then talk to us. We offer low travel jobs with excellent salaries and a good relocation package, where applicable.

For further information please contact:
AP Bristol
Tel: 0272 298911 or
AP Derby
Tel: 0332 290890

**KENNING MOTOR GROUP p.l.c.**

## Get Motoring

**North Derbyshire — to £17,000 + Car + Benefits**

Our client, Kenning Motor Group, a wholly owned subsidiary of Tozer Kensley and Millbourn (Holdings) Plc, is synonymous with the distribution of quality motor cars.
As a result of internal promotion they seek to recruit a resourceful and versatile qualified accountant to take on a challenging head office role. Responsibilities will include supervision of two subsidiary companies and the preparation of consolidated group financial statements and associated computations, whilst maintaining strict control of the groups' substantial cash flow.
Genuine prospects exist for a move into line management in the short term.

For further information please contact:
Accountancy Personnel,
Abacus House,
100 Norfolk Street,
Sheffield
S1 2JD
Tel: 0742 738775

CONFIDENTIAL

## GROUP FINANCE DIRECTOR DESIGNATE

**Rural Wiltshire to £25,000 + Car + Benefits**

A long established and highly successful group of manufacturing companies, which supplies many 'Household Name' retailers, our client now wishes to make a key appointment within its management team.
You will be a qualified accountant, aged 32-45, and with a solid record of achievement to date, preferably within a manufacturing environment. Reporting to the Chairman and working closely with the Group Managing Director, you will be expected to further develop the group's accounting and management information systems, control all aspects of its financial and administrative affairs including Company Secretarial and, as a member of the management team, make a real and positive contribution to the group's future.
The remuneration package is first class and includes substantial benefits.
*APPLY IN THE FIRST INSTANCE, IN STRICTEST CONFIDENCE TO: A.P. Bristol or Swindon.*

For further information please contact:
Accountancy Personnel
36 King Street,
Bristol BS1 4DZ Tel: 0272 298911
10 Regent Circus
Swindon SN1 1PP;
Tel: 0793 81201

**H.W. FISHER & CO.**
Chartered Accountants

## SENIOR AUDIT MANAGER

**Partnership Prospects — £ Above Market Rate**

Combining the running of an audit portfolio containing quality clients with a significant amount of one off, non-recurring work and consultancy, this position will suit those with progressive audit experience and ambition.
An expanding practice, H W Fisher seek an additional Senior Audit manager to take responsibility for a well trained audit team and a variety of clients including those from the entertainments, media and service industries. The posting is targetted for partnership in the short term.
H W Fisher enjoy an excellent reputation and the partners endeavour to maintain the highest of standards and good client relations. Anyone joining will find the challenge and rewards of a major practice combined with the personal contacts typical of the nature of the firm.

For further information please contact:
The Public Practice Manager,
Accountancy Personnel,
307-308 High Holborn
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SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Thursday June 9 1988



UK BUDGET PROMPTS SPIN-OFF OF LONG-TERM INTERESTS INTO INVESTMENT TRUST

# J Rothschild Holdings to demerge

BY NIKKI TAIT IN LONDON

J. ROTHSCHILD Holdings, the £630m($1.13bn) investment company headed by Mr Jacob Rothschild, is planning to spin off its longer-term investments into a new £265m investment trust, RIT Capital Partners.

The scheme will be effected by distributing 60 per cent of the shares and convertible stock in RIT Capital Partners to existing JRH shareholders. At the same time, JRH will move some £125m of longer-term investments into RIT, with the balance of RIT's initial assets being made np of £20m of property holdings and cash.

Mr Rothschild said yesterday the scheme had been prompted by recent tax changes, in particular those in the latest British Budget. Under the demerger proposal, the distribntion of RIT stock and shares is treated like a dividend and liable for income tax – now at lower, post-Budget levels.

After the demerger, JRH will focus increasingly on trading activities, plus some fund management. It will also handle the management of RIT on a performance-related fee. As a further result of income tax reductions, JRH says it plans to retain less of its income – either distributing more via dividends or devoting more to buying in shares. In the year to March, JRH bought in 41m shares at a cost of £68.2m.

RIT, by contrast, will concentrate on capital growth, paying a small annual dividend. The yield on the convertible stock will be only marginally higher, but RIT will be able to buy-in the convertible stock without threatening its investment trust status. This could be used to boost net asset values at RIT, if a discount emerges between market price and underlying net asset value.

In the demerger, JRH shareholders will receive 10 RIT shares and £6 nominal in RIT convertible stock. JRH warrant holders are being offered a lower exercise price – the price at which they can subscribe for ordinary shares in JRH – of 74.34p against 86.34p, in return for agreeing to exercise their option to do so four years early.

Yesterday, JRH shares rose 7p to 178p.

Lex, Page 20; A maverick returns to his roots,Page 26

# Macmillan formally rejects $2bn bid by Bass

By Anatole Kaletsky in New York

MACMILLAN, the large New York-based publishing company, yesterday formally rejected the $2bn takeover bid it has received from Mr Robert Bass, the wealthy Texas investor.

It urged shareholders instead to support the management's restructuring plan to break up the business into two separately traded public companies and take on substantial new debts in order to pay out an immediate cash dividend of $1.4bn or $55 a share.

Under the break-up plan Macmillan proposed splitting itself into two publicly traded companies, Macmillan Publishing and Macmillan Information.

Bass group, as an alternative to its $73 a share merger offer, has proposed its own restructuring, which would put $58 cash into the hands of Macmillan's shareholders.

The company formally rejected this option as well.

Meanwhile, however, the pressure on Macmillan from other arbitrageurs and corporate raiders appeared to be mounting.

Coniston Partners, the Wall Street investment and raiding firm which played a decisive role last year in the breakup of Allegis Corporation, announced on Tuesday night that it had acquired a 4.9 per cent stake in Macmillan.

Coniston said it would back a series of lawsuits filed by the Bass group to block Macmillan's restructuring plan.

Coniston said that its support of the Bass group's legal action was "not so much an endorsement of the Bass deal as an expression of opposition to the management's proposed restructuring."

Macmillan's intrinsic value was as much as $85 to $100 a share, Coniston added.

Mr Simon Keswick, left, outgoing chairman of Jardine Matheson yesterday handed over the reins of Hong Kong's oldest trading house to Mr Brian Powers. Mr Powers is the first American to take over the role of taipan or "big boss" since the group's formation 156 years ago by William Jardine, a relative of the Keswick family. Mr Keswick is returning to London where he will serve as non-executive chairman of the company.

# Apple buys software specialist

By Louise Kahoe in San Francisco

*APPLE COMPUTER*, the US computer company, has acquired a small communications software company specialising in prodncts designed to link non-IBM computers to IBM networks.

Mr John Sculley, Apple's chairman, said: "Apple's principle technology objective in 1988 is to expand aggressively its networking and communications solntions." Apple is actively integrating Macintosb into IBM, open system and Digital Equipment network environments, he added.

The acquisition of Orion, a 31-person software developent company based in Berkeley, California, will enhance Apple's ability to tie Apple prodncts into IBM System Network Architecture networks. Financial terms were not disclosed.

●Novell, one of the largest computer network vendors, announced a new software product that ties the Apple Macintosh hnto its networks.

Its "Netware for the Macintosh" provides the tools for bridging Apple computers to widely used Novell networks.

# Texaco to plan stock buyback

BY JAMES BUCHAN IN NEW YORK

TEXACO, the big US oil company which says it will distrihute $1.67bn to its stockholders, said yesterday that the bulk of the pay-out would be in the form of a stock buy-back in the course of this year.

Mr James Kinnear, chief executive of the embattled company, said that a "significant part" of the $1.67bn would go towards buying stock while shareholders could receive further sums in marketable securities.

"We're looking for a package that is most attractive to the most number of shareholders," he said.

As tbe company moves towards a showdown with Mr Carl Icahn, its main stockholder, Mr Kinnear yesterday fiercely defended Texaco's decision to pay out only one-third of the proceeds of its current $5bn programme of asset sales directly to shareholders.

Mr Icahn, who is lobbying vigorously among stockholders to put his nominees on Texaco's board at its annual meeting on June 17, says Texaco is squandering stockholders' money in its husiness and should pay ont more to shareholders. Meanwhile, the stock market has reacted without apparent enthusiasm to Texaco's announcement of the pay-out, which was made on Tuesday.

Mr Kinnear said: "People get numbed by numbers, but let's get this straight: $5bn is a very big amount of change. By dividing it up one-third for a stock buyback and associated moves and two-thirds for our balance sheet and capital programme, we will maximise our earnings per share, cashflow and dividend coverage."

But Mr Icahn ridiculed the Texaco plan late on Tuesday as "inadequate." Texaco stock was trading yesterday at $51¼, just $⅝ up on the buy-back announcement.

# McKesson sells wine and spirits division

BY OUR SAN FRANCISCO CORRESPONDENT

MCKESSON, the San Francisco-based consumer goods distributor, has agreed to sell its wine and spirits wholesale division to a new company being formed by a management group.

The McKesson Wine & Spirits operation is one of the largest US distributors of alcobolic beverages, with sales of about $540m last year. The gronp is the exclnsive US distributor of Ballantine's Scotch Whisky.

Terms of the sale were not disclosed, but analysts estimated the sale price at about $115m.

McKesson also annonnced plans to sell the remaining components of its wine and spirits operations, which consist of "21" brands, a wine and spirits importer, and Carlton Importing, a beer importer. These units have combined revenues of close to $200m and are both based in New York.

Mr Thomas Field, McKesson's president, said the sale of the wine and spirits operations was "part of our long-term strategy to focus on the distribution of non-durable consumer goods." McKesson's primary businesses are in the distribution of pharmaceutical products and bealth and beauty aids.

The company is the largest distributor of these products in the US, with revenues in the last fiscal year of $7.2bn.

# Nortel bolsters European base

BY PAUL BETTS IN PARIS

NORTHERN TELECOM of Canada plans to invest FFr300m ($52m) in manufacturing and research facilities in the next three years to make France its main European base for telecommunications business.

Mr Edmund Fitzgerald, chairman, said in Paris yesterday that the group was intensifying its efforts to increase market penetration outside the US and Canada, which between them still accounted for 90 per cent of the company's revenues of $4.9bn last year.

Northern Telecom's European strategy concentrates public telecommunications operations in the UK and focuses business commnnications and PABX switching activities in France. Last year the group acquired 27.5 per cent of STC, the UK telecommunications group, for about $830m.

In France, the Canadian group has just constituted a joint venture with French industrial and financial partners to manage the European business telecommunications operations.

The venture – Northern Telecom Meridian – is 55 per cent controlled by the Canadian company, witb the French CGIP industrial bolding owning a 35 per cent stake and the financial Groupe Worms owning a 10 per cent stake.

The new French company, headed by Mr Paul de Buyer, a former senior executive of France's CGE group, has an initial capital of FFr200m. The Frencb venture is building a manufacturing plant at Verdun, in north-eastern France, and is investing in a research and development facility at Marne la Valle in the outskirts of Paris.

Mr Fitzgerald hinted at plans to Invest FFr200m in capital investments and a furtber FFr100m in research and development in France in the next three years.

Northern Telecom was one of the unsuccessful candidates in the fierce bidding battle for the French CGCT telecommunications equipment manufacturer last year.

## Tim Dickson on the Belgian airline's fight to remain competitive

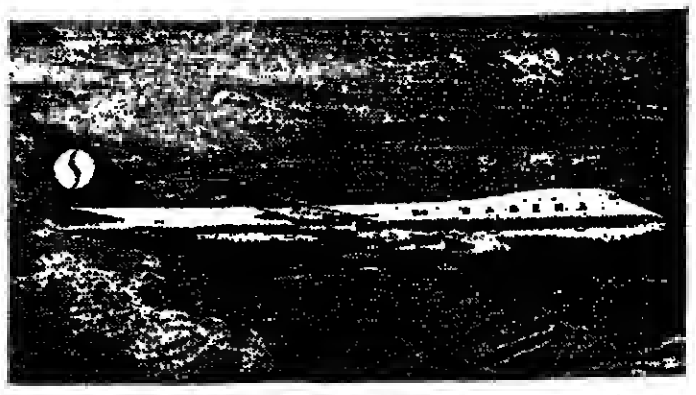
# Sabena searches for a co-pilot

SPECULATION THAT Sabena, the Belgian national carrier, KLM of the Netherlands, and possibly Swissair, the Swiss company, are poised to set up a joint venture for their airline businesses has been heightened this week after comments made in Brussels by Mr Carlos van Rafelghem, the Sabena chairman.

He confirmed in a short interview on Belgian radio on Tuesday night that his "personal predilection" was for a link between these partners, adding that "this is the formula which is objectively best."

Mr van Rafelghem said: "I believe it is possible to say that as far as a Sabena, KLM, Swissair arrangement is concerned, quite apart from the many economic and structural advantages which it would offer, we have the opportunity to move into first place in the European league."

KLM refused to make any comment yesterday and a Sabena official had little to add to his chairman's remarks, except to "deny absolutely" that any agreement has yet been concluded. He indicated that "preliminary studies" had been made, that serious negotiations had not so far begun, but that further clarification may be provided at the group's annual meeting in 12 days' time.



Mr van Rafelghem's outspokenness nevertheless suggests that progress has been achieved since March, when the company publicly disclosed that it was talking with a number of European airlines, including Air France, KLM, Lufthansa, Swissair and Luxair. That announcement followed last year's "on-off" merger talks with SAS, which appear to have been broken off because Sabena felt that the Scandinavian carrier was making too many demands.

Sabena's search for a suitable partner has been inspired by the European Community's drive to liberalise the European air transport sector ahead of 1992, and the competitive pressures which this has exerted on medium-sized carriers.

Under Mr van Rafelghem, who took over at the top in 1981, the once heavily loss making Belgian carrier has returned to the black in recent years, although last year net income fell by 53 per cent to just over BFr70m ($2m) as a result of the weak dollar and poorer than expected returns from its freight activities.

The problem for Sabena's air transport business – which Mr van Rafelghem said would be the company's only activity involved in a joint venture – is that Belgium is surrounded by three powerful airlines in Air France, Lufthansa and KLM, the first two powered by a large domestic market, the third bolstered by the Netherlands' long tradition of extensive transportation systems. The question is whether the Belgian airline can survive on its own in a market place which will become increasingly cut-throat.

Even in March it seemed clear that the scope for collaboration with Air France and Lufthansa was limited, given that the two companies use an international reservations network, the Amadeus system, which competes with the Galileo system used by Sabena. That would seem to leave some sort of Benelux grouping, plus Swissair, as the most likely solution.

The hurdles yet to be crossed, however, may not be inconsiderable. KLM and Swissair are known to be having their own talks, and KLM has indicated that there are other airlines with whom it has been holding discussions. Any deal would also have to take into account national sensitivities and avoid any suggestion that Sabena was being swallowed up by its new partners.

The Belgian company's insistence that it is not seeking a full merger – Mr Van Rafelghem insisted on Tuesday that Sabena's lucrative and widely renowned maintenance activities and its catering would be excluded from any joint venture – could also be a complication. It was SAS's ambition for an effective takeover that appears, for the moment at least, to have scuppered that deal.

# Trygg to float non-life side

BY SARA WEBB IN STOCKHOLM

TRYGG-HANSA, Sweden's second largest insurance group after Skandia, is to seek a bourse listing in Stockholm for its non-life insurance operations with a view to entering international business, possibly through cross-border mergers or co-operation agreements abroad.

Trygg-Hansa is a mutual association with an estimated market capitalisation of SKr5bn ($835m). "We need a stock market listing if we are to be able to raise more risk capital and become more international," said a company official.

The group has no international operations at present, but wants to either merge or co-operate overseas with a foreign insurance company. Skandia, the leading Swedish insurance group, has recently forged cross-ownership links within the Nordic region in order to strengthen its position in the run-up to 1992 and the formation of the internal market.

The group's life insurance operations will remain as a mutual company but will own about 50 per cent of the listed non-life operations.

Last year, premium income from the non-life operations totalled about SKr5bn while premium income from the life operations reached about SKr4bn.

The first step is for Trygg Hansa to set up a limited company structure, probably next year. The group plans to wait until perhaps 1990 before listing when it hopes to have improved the profitability of its non-life operations, which have a 20-25 per cent market share.

"The whole insurance branch in Sweden needs to improve profitability by raising premiums," said the company official. "We have a programme to improve profitability in the next year or two."

# Fiat in deal with French water group

By Paul Betts in Paris

LYONNAISE DES EAUX, the French private water distribution and treatment group, is forming a joint venture with Fiat, the Italian motor group, to offer water distribution and treatment services to Italian local authorities.

The venture will be 51 per cent controlled by Fiat Engineering, part of Fiat's public works and civil engineering arm. Fiat Engineering is involved in the Italian water treatment market through its subsidiary, Castagnetti.

Lyonnaise des Eaux, which will own 49 per cent of the venture, has been seeking to expand its European presence and has recently taken an active interest in the UK water distribution market like its French rival, Compagnie Générale des Eaux. In Italy, Lyonnaise des Eaux was already indirectly present in the market through its water treatment subsidiary, Degremont.

No financial details of the Fiat deal were given. At this stage, it is largely seen as a strategic collaboration agreement between the French and Italian groups in anticipation of the opening up of water distribution and treatment markets in Europe.

# Schneider expects to maintain turnover

BY ANDREW FISHER IN FRANKFURT

SCHNEIDER Rundfunkwerke, the West German television, computer and audio company, is aiming to at least maintain turnover this year, despite a drop in the first five months caused by its decision to make and sell its own computers rather than co-operating with Amstrad of the UK.

Last year, turnover rose by 17 per cent to DM720m ($420m) and net profits by 15 per cent to DM31m. The dividend is being increased from DM10 per share to DM12.

Schneider's first computers will be sold this month. Previously it has sold Far Eastern-made Amstrad computers under its own name. Because of the change to its own production and the sale of its old stock at discount prices, group turnover was 10 per cent lower in the first five months of 1988.

But the company, controlled by brothers Albrecht and Bernhard Schneider and quoted on the stock market, said it expects to maintain turnover over the whole year, returning to a double-digit percentage growth rate in 1989. Schneider also intends to export its computers.

Schneider said it had decided to make its own computers, despite high German wage costs, because it would thus be more flexible in reacting to market conditions. Its computer manufacture is also highly automated.

Late last year, the company expanded in the hi-fi field by purchasing 50 per cent of loss-making Dual.

# Kühne & Nagel proposes DM200m '1992' spending

BY JOHN WICKS IN ZURICH

KUEHNE & NAGEL, the world's third biggest international forwarding agent, is to carry out a major investment programme in readiness for 1992.

This was stated in Zurich yesterday by Mr Klaus-Michael Kühne, the chief executive, who owns the company jointly with the Lonrho group. Some DM200m ($117m) has been decided on as a framework for European investment in the period 1989-1993.

This will be absorbed by capital spending on new freight terminals and acquisitions. Mr Kühne said the company planned to acquire small to medium-sized companies serving national markets.

Net profits of the Kühne & Nagel rose 3.9 per cent last year to DM32.2m, despite a 3 per cent decline in turnover to DM4.39bn. The decline in sales in terms of the D-Mark was the result of currency factors.

Turnover figures for Kühne & Nagel's three operational groups were: DM1.92bn for KN Germany (a fall of 0.8 per cent compared with the period); SFr1.17bn ($818m) for the Swiss-based KN International (minus 9.1 per cent); and $650m (plus 19.7 per cent) for the KN Western Hemisphere group. The contributions of the three divisions to combined net profits amounted to DM12.5m, DM13.8m and DM5.9m, respectively.

The company said 1988 net profits should be at least as high as those for last year. Current year cash flow is estimated at DM60m, down from DM62.3m in 1987. Capital investment this year is expected to be about DM55m.

It said that multinational forwarding companies would continue to face severe challenges.

# Pakistan, HK deals for Orient Leasing

By Mohammed Aftab in Islamabad and Our Financial Staff

ORIENT LEASING, Japan's biggest leasing company, has launched a joint venture in Pakistan and purchased a minority stake in a Hong Kong financial services group as part of efforts to internationalise its business.

It will own 40 per cent of Orient Leasing Pakistan for the modest investment of US$720,000. Partners include local businessmen and the state-administered Bankers Equity, an investment bank.

The company will provide lease finance for movable assets to industrial, commercial and professional organisations.

Funds will be made available for new equipment and also for existing machinery on a sale-and-leaseback basis. The Pakistani sponsors are headed by Mr Shakirullah Durrani, former governor of the State Bank of Pakistan, the country's central bank.

In Hong Kong, Orient Leasing and Nissho Iwai, one of Japan's big trading houses, announced this week the purchase of about 10 per cent each in Asian Oceanic Group for a total of HK$102.9m (US$13.2m).

Asian Oceanic, which began operations in 1982, specialises in Asian cross-border investment banking. It has assets given as HK$1.3bn and capital of HK$328m.



PIONEER ELECTRONIC CORPORATION

Notice is hereby given to holders of CDR's issued by Centraal Depositary Co. N.V. Curaçao, evidencing shares in the above company that the "Semiannual Business report 1988" of Pioneer Electronic Corporation may be obtained from:

Pierson, Heldring & Pierson N.V.
Herengracht 214
1016 BS Amsterdam

and

The Bank of Tokyo Ltd.
established in Tokyo, Bruxelles, London, Düsseldorf, Paris and New York.

Amsterdam, June 3, 1988.

# CSR reshape nears completion as profit hits record A$185m

BY CHRIS SHERWELL IN SYDNEY

CSR, THE Australian sugar and building products multinational, yesterday announced a 23.4 per cent rise in net profit for the year to March, reaching a record A$185.3m (US$147.6m) on revenues up 45 per cent to A$4.66bn.

Mr Ian Burgess, managing director, said the group's massive restructuring away from dependence on resources operations was virtually complete. Over a three-year period assets worth A$2bn would have been sold and others worth A$2bn acquired.

The current 1988-89 year, he predicted, would see a "further significant improvement" as the group extracted "real value" from its acquisitions and benefited from the Government's cut in corporate tax from 49 per cent to 39 per cent.

He said the latest figures were particularly good given a A$123m increase in tax expenses and the absence of any contribution from the Delhi petroleum interest, which in the previous year contributed A$63m.

The sale of Delhi last year to Esso Australia for almost A$1bn was the single largest disposal of CSR's asset sales. Another A$450m to A$500m came from the disposal of its lossmaking coal mining operations, A$125m from its mineral interests and A$125m from the sale of its head office complex in Sydney.

CSR's main acquisitions include Pioneer Sugar Mills, Softwood Holdings, Timber Holdings, Formica in Australia and New Zealand, concrete and quarrying operations in Australia and the US, and stakes in Austral Brick and Brick & Pipe.

It has also linked with Redland of the UK to tackle the plasterboard market in Britain and Europe.

But the biggest purchase is about to occur, the acquisition for at least US$500m of the privately-owned Rinker Materials Corporation, an integrated quarrying and cement business which dominates the market in Florida. At least four other international groups are said to have tried to buy the company in the past, and CSR's deal, announced last month, is still to be consummated.

Mr Burgess said Rinker would give CSR a "substantial" presence in the US. The company is said to be rich in cash and well-managed, and CSR, apart from putting in three senior executives of its own, will run it at arms' length.

The purchase is being made from internal funds. As CSR said yesterday, it was generating A$300m a year and could spend A$1.1bn without borrowing.

If the gearing ratio were allowed to rise from 28 per cent to 35 per cent, it could spend A$1.6bn.

According to Mr Gene Herbert, deputy managing director: "We have not seen as strong a financial position at CSR in quite a few years."

He added: "Our problem is not money. It's finding the right opportunities at the right price."

A breakdown of the results shows building and construction materials were easily the largest contributor to earnings, with profits close to A$80m, up 60 per cent. The group's traditional sugar milling and refining activities reported a 41 per cent increase in profit to A$44.4m.

The company said its acquisition of Pioneer Sugar had improved its competitive position in milling, while sales of refined sugar were a record.

On the Government's recently announced deregulatory measures for sugar, Mr Burgess said they made the group nervous as a miller but not as a refiner.

CSR recorded its biggest profit improvement in its aluminium operations, thanks to high world prices for aluminium and alumina and increased shipments of aluminium and bauxite. Profit more than trebled to A$28.5m, and the group has already locked in 80 per cent of this level in the current year.

There is no intention to sell these lucrative operations, but regarding its other remaining resources activities the group confirmed it would be selling its coal interests and would either float its oil and gas business or divest it.

On the question of whether CSR might face heavy liabilities because of claims made by former workers at a subsidiary's now-closed asbestos mine, Mr Burgess said there was no reason to suppose these could harm the group's financial performance.

But he urged the establishment of a less unwieldy legal system for such cases so that those who were genuinely ill and anguished could be compensated quickly.

With the group's earnings per share at 28.4 cents, directors recommended a final dividend of 10 cents, fully franked, making 20 cents for the year. This represents a payout ratio of 62.3 per cent, down from 68.1 per cent.

On the stock market, CSR's shares finished 3 cents higher at A$4.48.

QUEENSLAND COAL Trust unit holders have narrowly approved the mechanism for the trust to become a company named QCT Resources, Reuter reports from Brisbane.

At an extraordinary meeting, 76.5 per cent of the votes were in favour, just above the 75 per cent required for approval.

Santos, the Australian oil and gas producer, disclosed last Friday that it holds 9.9 per cent in QCT and said it opposed management proposals to branch out from its highly profitable coal operations.

Rami Khouri examines the modernisation strategy at a leading Jordanian banking group

# Arab Bank keeps abreast of changing times

ARAB BANK, the leading Jordanian banking group, has long been known throughout the Middle East as big, safe, profitable and slightly old-fashioned.

Its competitors have viewed it as a sleeping giant which prefers safe family management to the more innovative and aggressive practices of other banks in the region.

About 18 months ago, however, it started stirring, prodded by more sober regional economic realities and an intensely competitive global banking environment.

Last year it launched a modernisation and marketing strategy that looks set to maintain its position as one of the few Arab banks which can compete seriously with larger international institutions on a regional and global scale.

Its move is also a timely case study of how a traditional Arab company can adapt its management and business strategy to keep up with the times.

Established in Jerusalem in 1930 by an entrepreneurial young Palestinian named Abdul Hameed Shoman, the bank's first four decades were characterised by steady expansion throughout the Middle East, North Africa and Western Europe.

Now that it has recognised the need to attack the markets more aggressively, it has an array of impressive but conspicuously underexploited assets on which to draw. These include:

- A retail network of 75 branches, offshore banking units, wholly owned subsidiaries and sister institutions in 12 Arab states and in 15 countries in Europe, America, Africa, Australia and the Far East.
- A history of safeguarding clients' deposits and investors' equity in spite of repeated wars, military occupations and bank nationalisations throughout a notoriously turbulent region.
- Substantial capital resources, market clout and professional credibility that dwarf those of many governments in the area.
- Universal banking capabilities covering retail, wholesale and merchant banking.

The point has been appreciated by the founder's two sons who have run the bank for years – Mr Abdulmajeed Shoman, the chairman, and Mr Khalid Shoman, his deputy. They still personally approve all senior management decisions and, with other members of the family, own 17 per cent of the shares.

Several years of flat earnings in the recessionary regional economy of the mid-1980s finally awakened the Shomans to the need to adjust policies in order to stem a deterioration in both market share and profitability.

The focus now is on four basic areas: more aggressive regional lending – particularly in the home market of Jordan, which accounts for more than 17 per cent of the group balance sheet; a globally co-ordinated money market approach among its dealing rooms in London, Paris, Bahrain, Singapore, Sydney and New York; more efficient technological applications, both for retail clients and to cut backroom operational costs; and further international expansion into new markets which trade with the Arab world.

First indications are that the strategy seems to be working.

In 1987, the Arab Bank group increased its balance sheet total (including guarantees and letters of credit) by $1bn to stand at $15.4bn, while shareholders' equity rose from $676m to $785m. Net income increased by 7.9 per cent to $82m, reflecting an expansion of loans, commissions and foreign exchange dealings.

The lending portfolio increased by 20 per cent during the year to $3.52bn.


Mr Khalid Shoman observed in an interview: "When we lost Palestine in 1948 and then the West Bank and Gaza in 1967, and had our assets nationalised in several countries during the past several decades, we learned the key role of capital adequacy and liquidity in the banking business in this part of the world."

Its doubtful debts average about 5 per cent of loans, and bad loans are written off annually from the same year's income. Arab Bank enjoys the added cushion of having a book value of foreign assets (mainly equity in joint ventures) well below actual market prices – its stake in Arab National Bank in Saudi Arabia, for example, is worth SR60m ($16m) on its books but more than SR700m in the market.

The bank is not in favour of a public share issue to increase its capital base, preferring to increase capital from earnings. If measured by the new Bank for International Settlements' standards based on a weighted average of assets, Arab Bank's capital adequacy ratio is an impressive 14 per cent, compared with the BIS target of 8 per cent.

The priority now is to market its services more aggressively.

Mr Shoman says: "When our Jordan branch managers sent in their 1987 budgets in late 1986, they aimed for a JD5m ($14m) increase in lending. I looked at the figures and told them we had to increase lending in 1987 by at least JD100m, or we would not make a profit in Jordan, which would have been unheard of."

At the end of the year, domestic lending increased by JD112m and the bank added a further 1,000 borrower clients to its existing 2,000. This year the target is to increase lending by another JD50m at least.

After suffering several bankruptcies among contractor clients in the late 1970s, it established an investment banking department in Amman to provide senior management with in-house studies on project feasibility and cash-flow prospects.

It is now preparing to launch a venture capital scheme by which it would share in the equity of new entrepreneurial projects, and then sell out to the owners after the project is on its feet.

Expansion constraints in Jordan and other Arab markets have forced Arab Bank to keep developing its international business, which last year accounted for 55 per cent of the balance sheet, and nearly 60 per cent of profits – a ratio which it expects to maintain.

It has considered buying established branch networks abroad (it bid for Continental Illinois' branches in South Korea), while it has continued opening its own branches or subsidiaries, most recently in Austria and Australia. A branch in Rome is scheduled to be this year's only new foreign venture.

In dealings with leading international banks, it capitalises on the fact that it is the only large Arab institution with a widespread retail base throughout the Middle East, which complements its global network and investment banking capabilities.

This has prompted Arab Bank to venture cautiously into securities and money and capital market operations, such as participation in the Eurotunnel financing and contractors' guarantees, and several Airbus aircraft financing deals.

New technology is allowing the bank to co-ordinate management and improve the productivity of its 3,200 staff while expanding customer services. It spends about 8 per cent a year of total operating expenses on data processing and telecommunications equipment.

The bank is taking advantage of technological developments to open 15 mini-branches in Jordan this year. Each will have just one or two employees but will be linked electronically to a nearby full-service branch and to the rest of the network.

# Lower tax bill lifts income at NZ brewer

By Our Financial Staff

LION CORPORATION, the New Zealand brewer, boosted net profits 11.1 per cent to NZ$57m (US$39.6m) in its year to March, the last period before its merger with the L.D. Nathan retailing group comes into effect.

Sales were up by just over a fifth to NZ$1.13bn from NZ$936.6m. The earnings excluded a net NZ$34.6m in below-the-line credits, compared with just NZ$8.2m the previous year, but benefited from a reduced tax bill of NZ$19.7m against NZ$31.1m.

Lion is 22 per cent owned by Malayan Breweries and Fraser & Neave of Singapore. Ahead of its annual meeting, deferred to December, a second interim dividend of 14 cents a share is being paid.

This will be adjusted if shareholders approve a one-for-one share split at an extraordinary meeting next Monday. Nathan shareholders who have accepted Lion's offer will receive a special payout of 6 cents.

# Strong advance at Harrisons Malaysian

By Our Financial Staff

HARRISONS Malaysian Plantations, which is 30 per cent owned by Harrisons & Crosfield of the UK, lifted group net profits by two thirds to 83.75m ringgit (US$32.5m) in the year to March, up from 50.13m ringgit.

It attributed the improved results largely to better prices for its palm and rubber products, adding that these have continued to move up in the opening months of the current year.

A decline in cocoa prices was, it added, more than compensated for by a 25 per cent increase in the crop size. The total dividend is maintained at 15 cents gross per share.











## HARRISONS MALAYSIAN PLANTATIONS BERHAD

*(Incorporated in Malaysia)*

PRELIMINARY REPORT FOR THE YEAR ENDED 31st MARCH, 1988

The Directors announce that the unaudited results for the year ended 31st March, 1988 were:

| | Group 1988 M$'000 | Group 1987 M$'000 | % | Company 1988 M$'000 | Company 1987 M$'000 | % |
|---|---|---|---|---|---|---|
| Turnover | 523,109 | 502,638 | 4 | 26,472 | 22,720 | 17 |
| Investment and other income | 12,378 | 14,044 | (12) | 72,263 | 66,668 | 8 |
| Operating profit | 110,587 | 74,171 | 49 | 76,922 | 68,186 | 13 |
| Associated Companies | 4,066 | 4,403 | (8) | - | - | - |
| Profit before taxation (See Note 1) | 114,653 | 78,574 | 46 | 76,922 | 68,186 | 13 |
| Taxation (See Note 2) | 28,909 | 30,175 | (4) | 22,899 | 27,081 | (15) |
| Profit after taxation but before extraordinary items | 85,744 | 48,399 | 77 | 54,023 | 41,105 | 31 |
| Minority interests | 217 | 85 | 155 | - | - | - |
| | 85,527 | 48,314 | 77 | 54,023 | 41,105 | 31 |
| Extraordinary items (See Note 3) | (1,779) | 1,814 | (198) | (2,947) | - | - |
| Profit attributable to shareholders | 83,748 | 50,128 | 67 | 51,076 | 41,105 | 24 |
| Dividends | 50,759 | 38,069 | 33 | 50,759 | 38,069 | 33 |
| Retained profit for year | 32,989 | 12,059 | 174 | 317 | 3,036 | (90) |

NOTES

| | Group 1988 | Group 1987 | Company 1988 | Company 1987 |
|---|---|---|---|---|
| (1) After charging | | | | |
| – Interest | 397 | 707 | 3 | 338 |
| – Depreciation | 23,323 | 23,331 | 889 | 688 |
| (2) Taxation includes | | | | |
| – Current | 30,483 | 25,704 | 23,256 | 28,219 |
| – Deferred | (2,051) | 3,917 | (357) | (1,138) |
| – Under provision in respect of prior years | - | 127 | - | - |
| – Associated Companies | 477 | 427 | - | - |
| (3) The extraordinary items comprise the following: | | | | |
| Surplus on liquidation | 428 | 1,814 | - | - |
| Profit on sale of investments | 691 | - | - | - |
| Profit on sale of land | 49 | - | - | - |
| Loan to an associated company written-off | (2,947) | - | (2,947) | - |
| | (1,779) | 1,814 | (2,947) | - |

| | 1988 Group | 1987 Group |
|---|---|---|
| Profit after taxation but before extraordinary items as percentage of turnover | 16.4% | 9.6% |
| Profit after taxation but before extraordinary items as percentage of shareholders' funds | 5.0% | 2.9% |
| Net earnings per share (in sen) | 20.2 | 11.4 |
| Net tangible asset backing per share | $4.03 | $3.95 |

**1988 Results**

These materially better results are largely due to the improved prices for palm and rubber products. The decline in cocoa prices was more than compensated for by a 25% increase in crop.

| | 1988 Group M$'000 | 1987 Group M$'000 | % Group |
|---|---|---|---|
| Profit for the first half year after taxation but before extraordinary items | 35,262 | 20,010 | 76.2 |
| Profit for the second half year after taxation but before extraordinary items | 50,265 | 28,304 | 77.6 |

**CURRENT YEAR'S PROSPECTS**

Oil palm production is expected to increase whilst other crop production is estimated to be similar to last year. Rubber and palm products prices have moved up in the opening months of the year and if these prices are maintained a substantial improvement in profits over the previous year will occur.

**DIVIDENDS**

(1) The Directors have declared a 2nd interim dividend of 6 sen per share less tax, payable on 12th August, 1988, and the Transfer Books of the Company will be closed at 5.00 p.m. on 14th July, 1988, for the preparation of dividend warrants. The Directors will propose at the Annual General Meeting to be held on 10th August, 1988, a final dividend of 6 sen per share comprising 3 sen less tax and a tax exempt dividend of 3 sen per share, which will be payable in January, 1989.

(2) The 1st interim dividend of 6 sen per share less tax was paid on 28th April, 1988.

(3) The total dividend for the year ended 31st March, 1988 is made up as follows:

| | 1988 Sen per Share | 1988 $'000 (net) | 1987 Sen per Share | 1987 $'000 (net) |
|---|---|---|---|---|
| Gross (tax payable at 40%) | 15 | 38,069 | 15 | 38,069 |
| Tax exempt | 3 | 12,690 | - | - |
| | 18 | 50,759 | 15 | 38,069 |

| HARVESTED CROPS – TONNES | 1988 | 1987 |
|---|---|---|
| FFB | 815,399 | 808,026 |
| Palm oil | 170,284 | 170,523 |
| Palm kernels | 50,246 | 49,184 |
| Rubber | 50,522 | 54,260 |
| Cocoa | 8,562 | 6,817 |
| Copra | 6,896 | 6,930 |

**COPIES OF THE REPORT**

A copy of the Company's Preliminary Report will be posted to shareholders on 13th June, 1988. Copies will also be available from the Company's registered office and the Branch Registrar, Baring Brothers & Co. Limited, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU, United Kingdom.

By Order of the Board
Mohd. Nadzir Mahmud
Secretary

KUALA LUMPUR
8th June, 1988

**Stephen Fidler** on the results of a survey into international trading

# Short shrift for global markets

THE SO-CALLED globalisation of the international capital markets is little more than media "hype" and the onset of a 24-hour trading is more feared than practised.

These are just two of the conclusions of a survey on the international capital markets conducted by the accountancy and consultancy firm KPMG, which includes Peat Marwick in the UK.

The survey comprised interviews late last year and early this year with 150 senior executives of financial institutions in 15 financial centres. The report of those interviews is published today and draws some surprising, and some predictable, conclusions.

The crash of stock markets in October has unsurprisingly led to low self-confidence in the international capital markets.

This has led many firms to reappraise their ambitions and far fewer securities houses now claim they are aiming to be global players.

According to Mr Peter Gellatly, the partner in charge of the firm's banking and finance consultancy and who ran the survey: "People are much more cautious now. They are looking with much more commercial realism and looking much harder at the problems of going into new markets."

A more practical view is being taken too of the idea of 24-hour trading – which the report suggests rarely takes place, except in the case of certain markets such as foreign exchange.

The report says: "We found much resistance to the concept. For most institutions the disadvantages outweigh its advantages." One executive interviewed thought 24-hour trading was "like somebody playing with your sandcastle while you were out for lunch."

Peter Gellatly: people more cautious now

Globalisation, it says, "isn't something new, it's a process of internationalisation."

The interviews also identified several common areas of conflict. Among them was conflict among market regulators which respondents saw as a problem in which national interests overrode most others.

Many international institutions – and in particular those of the Japanese – felt they had a problem in managing foreign staff, and saw this difficulty looming larger as they expanded overseas. Many saw a broader cultural problem in the international markets, and conceded the differences between investment and commercial bankers was also a source of conflict, as were the distinctions between front and back office philosophies.

Also brought out was the feeling among executives that they lacked sufficient information, planning and control important areas of their business. While two-thirds of the respondents agreed there was a positive correlation between the assumption of risk and success, 60 per cent felt that their risk management systems were inadequate.

The vast majority also admitted that they did not consider they were able satisfactorily to appraise performance, either of departments, businesses or of individuals. Client relations, it was widely thought, had assumed a new importance and fewer firms held a transactions-oriented view of their businesses. Yet few firms had any way to assess the importance of these relationships.

Only 26 per cent of respondents were satisfied with their performance measurement techniques, and 61 per cent said they were only in the early stages in the development of performance appraisal systems, an area in which US firms were viewed as having a lead.

Chief executives, the survey showed, were not always aware of the tax risks their firms were running in the international markets.

Indeed, unidentified tax risks associated with transacting one piece of business in several countries were adjudged to be "a time bomb". Executives were critical that fiscal authorities had failed to keep up with the nature of international transactions, and they took too long to hand down decisions.

Sixty-one per cent of executives also considered that they needed more capital. There was a strong feeling that for some firms this would be provided by the Japanese, although Japanese firms had been restrained in taking over existing companies, preferring to start up operations *de novo*.

US firms felt that with the abolition of the Glass-Steagall Act, which divides commercial banks from the securities business in the US, would lead the US regional banks to move in on some securities firms. If Japan's Article 65, which does the same thing in the Japanese market, were to be lifted it was felt that the Ministry of Finance would manage the creation of some strong Japanese institutions in the international market.

Indeed, in both the European Community and in the US a wave of mergers in the financial sector was seen as likely.

That said, more executives, having observed the profitability of many small firms, no longer associate size with success.

Not surprisingly, a large number of executives view regulation as a key issue in the financial markets. Nearly a quarter of the respondents believed that Switzerland would not participate fully in international securities market regulation.

They thus see Switzerland providing a potential challenge to the UK's predominance as Europe's financial services centre, since the London market's competitiveness must be hurt by the Financial Services Act and that such a mode of regulation will probably extend to the rest of the EC by 1992.

# Nomura explores first link with foreign broker

BY OUR FINANCIAL STAFF

NOMURA SECURITIES, Japan's biggest brokerage house, is exploring what would be its first equity link with a foreign counterpart, if talks succeed with François-Dufour Kervern, the sixth largest French stockbroker.

It would also become the first Japanese financial institution to buy into a recognised broker in France, where securities deregulation has led to a series of deals involving foreign institutions.

Nomura International in London declined to specify the size of any investment, which it stressed had not been finalised. Reports from Tokyo and Paris suggested a maximum of 10 per cent, somewhat below the upper level which the French financial authorities would be expected to sanction.

European operations of Nomura are run from London, but it has been keen to broaden its presence in advance of 1992. The UK-based unit made pre-tax profits of Y4.3bn ($34.8m) in the year to March, down from Y6.5bn.

# Oslo bourse set to call for standard accounting rules

BY KAREN FOSSLI IN OSLO

THE OSLO BOURSE is soon to complete a report on the accountancy procedures of listed companies in which it is to recommend to Norway's Finance Ministry and Security, Banking and Insurance Inspectorate that rules for the accounting practices of these companies be standardised.

Mr Nigel Wilson, a bourse official, said yesterday that during an investigation into the accounting practices of listed companies it became apparent that off-balance sheet reporting and the use of "extraordinary items" had been exploited by Norwegian companies.

He said insurance companies and banks, in particular, had practised off-balance sheet reporting in an unsatisfactory manner and that it would also be necessary to improve the quality and nature of information used by these companies in their annual reports. Other areas targetted for standardisation include currency reporting and merger and divestiture activity.



# Mexican group in Euro CP offering

By Stephen Fidler, Euromarkets Correspondent

MEXICO'S THIRD largest cement company, Apasco, is set to become the first private sector Mexican company to raise money on the international capital markets since the debt crisis broke in 1982.

The company, 49 per cent owned by Holderbank of Switzerland and 51 per cent by private Mexican shareholders, intends to borrow up to $46m through a Eurocommercial paper programme. The programme will be guaranteed by the New York branch of Japan's Fuji Bank, which carries a top triple-A credit rating.

The programme is the last stage of a refinancing of the company's debt, on which Midland Montagu, the UK merchant bank, and the International Finance Corporation, the International Monetary Fund affiliate, have been advisors. The refinancing has allowed the firm to reduce its debt from over $200m to about $70m.

The restructuring has taken place in three phases. The issuance of new equity allowed, through debt-to-equity conversions, the retirement of $67m of debt. A direct loan from the IFC of $46m provided for the further retirement of $104m of existing debt, which was available at a discount in the secondary market.

The IFC loan will back up the ECP programme. Montagu said it expected to be placing paper in the next couple of weeks, and, because of the Fuji guarantee, to be able to achieve rates below London interbank offered rates. The guarantee allows ECP investors direct recourse to Fuji in the event of default, without any requirement for investors first to attempt to extract the funds from Apasco.

# Korea-Europe Fund set to double capital

By Gordon Cramb

THE KOREA-EUROPE Fund, the London listed vehicle for foreign investment in the South Korean stock market, has received final clearance from the Ministry of Finance in Seoul to double its issued capital to $60m.

This follows initial approval at the end of last year, and comes at a time when the market has been reaching record levels. New shares will be placed with investors in the next few weeks.

Mr Peter Irving, senior fund manager of Schroder Investment Management, which manages the Korea-Europe Fund in conjunction with four domestic securities institutions, said yesterday the fund had a current value of some $45m and was 87 per cent invested in the local market.

Share prices on the Korea Stock Exchange have benefited from the country's industrial success, moves to democracy, and the progressive deregulation of the financial sector.

Foreigners cannot yet buy shares directly, however, while the Korea-Europe Fund and the Korea Fund, its older and larger New York quoted equivalent, are also being excluded so far from the Government's privatisotion programme which gets under way in earnest tomorrow.

The Won 2,500bn ($3.4bn) sale of shares in Pohang Iron and Steel Company (Posco), the first of a number of planned disposals, is being restricted to domestic investors.

According to Mr Irving, "Posco having set a precedent, it would seem likely that further privatisations will follow the same path."

# Ems-Chemie to convert certificates

By John Wicks in Zurich

EMS-CHEMIE, the Swiss chemicals group, plans to convert its non-voting participation certificates into bearer shares which carry a vote.

Mr Christoph Blocher, chairman and majority shareholder, has long held the view that participation certificates are unpopular both among investors and with the stock market. The company bought back a large tranche of its participation certificates last autumn.

The company's move reverses a trend in Switzerland, where companies have regularly issued this category. Participation certificates are bearer units and not subject to the same restrictive registration procedures as registered shares, but investors have long objected to their lack of voting rights.

Ems-Chemie also plans a rights issue in bearer shares – one for every 10 bearer shares or 50 participation certificates.

# Forex stability prompts a rush of new issues

BY DOMINIQUE JACKSON

A MORE stable tone to foreign exchange markets yesterday saw an increase in secondary Eurobond market volume and also prompted a rush of new issues in several currency sectors.

The improved tone of the US dollar and the Treasury bond markets' consequent improvement prompted the week's first dollar straight bonds.

Credit Suisse First Boston brought American General, one of the largest insurance companies in the US, to the market with a seven-year 9⅞ per cent deal at 101⅛%. Dealers said the issue, which was launched at an 82 basis point (hundredths of a percentage point) yield premium to comparable US Treasury issues, was seeing good demand and was bid at a discount of 1.45 compared to total 1⅞ fees.

Eurofima also tapped the US dollar market with a five-year 9⅛ per cent issue at 101⅛, led by Nikko Securities. Dealers said the popularity of the borrower would ensure a favourable reception for the issue which finished the day bid at a discount of 1.65, within its total fees.

Swap opportunities kept the primary market in Canadian dollars active with two new deals following Monday's four offerings. Montreal Trustco issued a C$100m five-year 10⅛ per cent issue at 101⅝ through Goldman Sachs International. Bankers Trust brought Luxembourg's Hypobank International to the sector with a four-year C$75m deal carrying a 10⅛ per cent coupon and priced at 101⅝. Both deals benefited from a firmer tone to the Canadian government bond markets and were trading within their fees by the end of the day.

The massive Ecu issue for the European Community which was expected but failed to appear on Tuesday finally emerged early yesterday with Deutsche Bank and Banque Paribas as joint lead managers. The Ecu500m seven-year issue was launched in the name of the Commission of European Communities for both the EC and the European Coal and Steel Commission. The coupon was pitched at 7⅞ per cent and the deal was priced at 101⅛%.

Prices in the sector slumped yesterday in anticipation of the new deal as dealers sold off positions to make room for the EC issue, the largest ever launched in the sector and a deal which is expected to set a new benchmark in its maturity range.

Favourable swap opportunities prompted Banque Paribas Capital Markets to lead a Ecu150m issue for France's Credit National which carried a 7⅛ per cent coupon and an issue price of 101⅝%.

INTERNATIONAL BONDS

Dealers said the attractively short three maturity and French government guarantee on the issue would aid absorption although the sector had seen an unusually high total of more than Ecu1bn in new paper launched within the last two weeks.

The renewed strength of sterling on the foreign exchanges triggered the first new Eurosterling deals for some time. The Bank Organisation issued a 20-year £50m 10⅛ per cent bond which was priced at 99.995 per cent to give a yield at launch of 130 basis points over the 13⅛ per cent UK gilt of 2004/2008.

The issue was designed to appeal to UK institutional investors, many of whom bought the bonds although lead manager Samuel Montagu said the deal had also seen healthy interest elsewhere.

Baring Brothers brought the European Investment Bank to the sector with a six-year £70m deal at 9⅞ per cent at 100⅞ which is fungible with a series of outstanding EIB issues. All the issues in the series are set to merge into one with a total outstanding value of £300m in November this year.

Credit Suisse First Boston led a £75m subordinated floating-rate note for the Nationwide Anglia Building Society. The 10-year issue will pay interest at the rate of ⅛ per cent over the three month London interbank offered rate. However, the notes will be amortised in equal installments of £2,000 from July 1994, giving the issue an average life of 8⅛ years.

In equity linked issues, Nomura led a £100m five year deal with equity warrants attached for Kokusai Securities on which the coupon is indicated at 4⅛ per cent.

Yamaichi International led a £150m five-year issue for Japanese real estate company Tokyu Land, guaranteed by Mitsui Trust and Banking, which also carries an indicated 4⅛ per cent coupon.

In West Germany, domestic bond prices opened slightly lower but picked up later in the day following the New York opening to finish broadly unchanged. Euromark prices saw similar movements although turnover was limited and the final price trend was easier.

Deutsche Bank led a DM500m five-year deal for one of their own financing subsidiaries which saw healthy demand, largely from foreign investors. The issue carries a 5⅛ per cent coupon and is priced at 100⅛. Dealers detected some switching out of seasoned issues to make room for the new bond.

Tuesday's DM100m deal for Jutland Telephone saw increased demand and rose to be bid at a discount of 1⅛ against 2⅛ fees.

In Switzerland, the market was quiet. Buying demand was seen for top quality names although prices ended the day little changed on only moderate volume.

Credit Suisse led a SFr100m 10-year deal at 5⅛ and 100⅛ for Malaysia which saw good demand and was bid at a discount of 1⅛.

Dutch publisher Wolters Kluwer issued a SFr100m 10-year convertible deal through Credit Suisse on which the coupon is indicated at 4 per cent.

SG Warburg Soditic brought CIR International, one of Italian entrepreneur Carlo de Benedetti's companies, to the market with a SFr100m five-year issue accompanied by equity warrants convertible into ordinary shares of Olivetti. The coupon is fixed at 3 per cent and the price at par.

## FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on June 9

| US DOLLAR STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Abbey National 7½ 92 | 200 | 93¾ | 94¼ | +0¼ | +0¼ | 9.43 |
| All Nippon Air 9⅛ 97 | 100 | †94¼ | 95⅛ | 0 | +0⅝ | 10.24 |
| American Brands 8⅛ 92 | 150 | 97¾ | 98⅛ | +0⅛ | +0½ | 9.47 |
| A/S Eksportfinans 7⅛ 93 | 100 | †94¾ | 95⅛ | 0 | +1⅝ | 8.79 |
| A/S Eksportfinans 7¼ 92 | 150 | 94¼ | 95¼ | 0 | +0⅛ | 8.90 |
| Barc. Bk. Fin. 10⅛ 89 | 200 | †102½ | 103 | 0 | +0⅛ | 8.18 |
| Belgium 9⅛ 92 | 400 | †100 | 100½ | 0 | +0⅜ | 9.03 |
| British Telecom 7⅝ 96 | 250 | 89 | 89⅝ | +0⅛ | +0⅝ | 9.54 |
| Cal.Natl.Telecom 8½ 93 | 160 | 98¾ | 99¼ | +0⅛ | +0⅝ | 8.75 |
| Canada 9 96 | 1000 | 98¾ | 99¼ | -0⅛ | +0⅛ | 9.17 |
| Canadian Pac 10⅛ 93 | 100 | †104¼ | 105⅛ | 0 | +0⅜ | 9.51 |
| C.C.C.E 7¼ 91 | 113 | †95 | 95⅛ | 0 | +0⅝ | 8.78 |
| C.N.C.A 7¼ 91 | 150 | 94½ | 95 | 0 | +0⅜ | 9.07 |
| Coca-Cola Ent. 8¼ 90 | 100 | †99¼ | 99⅝ | 0 | -0⅛ | 8.57 |
| Credit Lyonnais 9 91 | 200 | 100½ | 101⅛ | 0 | +0½ | 8.65 |
| Credit National 8¼ 93 | 200 | 96¾ | 97⅛ | 0 | +0⅛ | 9.06 |
| Credit National 7¼ 92 | 100 | 94¾ | 95⅛ | 0 | +0⅛ | 8.95 |
| Credit National 7¼ 91 | 150 | 95 | 95⅜ | 0 | +0⅛ | 8.89 |
| Denmark 7¼ 92 | 500 | 93¾ | 94⅜ | 0 | +0½ | 9.07 |
| E.E.C 7 91 | 100 | 94¼ | 95⅛ | 0 | +0⅜ | 8.79 |
| E.E.C. 7¼ 93 | 250 | 93¼ | 93¾ | -0⅛ | +0⅝ | 8.98 |
| E.E.C 8¼ 96 | 100 | †93¼ | 93¾ | +0⅛ | +1⅛ | 9.44 |
| E.I.B. 7⅛ 93 | 100 | 93⅜ | 93⅝ | 0 | +0⅛ | 9.13 |
| E.I.B. 9⅛ 97 | 150 | 99¼ | 99¾ | 0 | +1¼ | 9.45 |
| Elec.De France 9 98 | 200 | 95⅝ | 96⅛ | 0 | +1 | 9.66 |
| Finland 7⅞ 97 | 200 | 89⅜ | 89⅞ | 0 | +0⅞ | 9.69 |
| Finland 7½ 93 | 200 | 93¼ | 93¾ | -0⅛ | +0½ | 9.09 |
| Finn.Exp.Cd. 8½ 92 | 200 | 98¼ | 98¾ | +0⅛ | +0½ | 8.97 |
| Ford Motor Credit 8 91 | 250 | 97⅛ | 98¼ | 0 | +0¼ | 8.87 |
| Gen Elec Credit 10⅛ 00 | 200 | 101¼ | 101¾ | 0 | -0⅛ | 10.06 |
| G.M.A.C. 8 89 | 250 | 99¼ | 99¾ | 0 | +0⅛ | 8.41 |
| G.M.A.C. 8¼ 89 | 200 | 99⅝ | 100⅛ | 0 | +0⅛ | 8.34 |
| Hoesch 8¼ 97 | 100 | †92¼ | 93¼ | 0 | +1⅛ | 9.45 |
| Italy 9 90 | 1000 | 100⅞ | 101⅜ | 0 | +0⅛ | 8.46 |
| L.T.C.B of Japan 8 91 | 100 | 98⅜ | 98⅞ | 0 | +0⅞ | 8.54 |
| L.T.C.B.of Japan 8 97 | 200 | 89¼ | 89¾ | 0 | +1¼ | 9.90 |
| Mercds-Benz Cd. 8½ 95 | 100 | 95¼ | 96 | -0⅛ | +0⅛ | 9.36 |
| Metropolis Tokyo 9½ 93 | 200 | 101¼ | 102 | -0⅛ | +0⅛ | 9.02 |
| Morgan Guaranty Tst. 7 90 | 150 | 97⅛ | 97⅝ | 0 | +0⅛ | 8.56 |
| Norway 8¾ 93 | 500 | 98⅞ | 99⅛ | +0⅛ | +0⅛ | 8.97 |
| Pepsico Inc 7⅛ 93 | 200 | †93½ | 94 | 0 | +1⅛ | 8.99 |
| Portugal 8⅛ 91 | 300 | 97½ | 98¼ | 0 | +0⅛ | 9.18 |
| Prudential Crp. 8⅛ 94 | 125 | 98¾ | 99¼ | +0⅛ | +0⅛ | 8.96 |
| Qantas Airways 10⅛ 95 | 140 | 103⅝ | 104⅛ | 0 | +1 | 9.59 |
| Saab Scania 9⅛ 91 | 125 | †103¼ | 104⅛ | 0 | +0⅝ | 7.77 |
| Saskatchewan 10⅛ 92 | 100 | 104⅛ | 105 | +0⅛ | +0⅛ | 9.20 |
| State Bk S Aust 9¼ 93 | 100 | 99¾ | 100⅜ | 0 | +0⅛ | 9.23 |
| Swedish Expt.Crd.7¼ 91 | 100 | †94¾ | 95¼ | 0 | +0⅛ | 8.94 |
| Swed Exp Cred 10 92 | 100 | †103¾ | 104⅛ | 0 | +0⅛ | 8.76 |
| Sweden 7 91 | 250 | 95 | 95½ | 0 | +0⅛ | 8.68 |
| Sweden 7 92 | 250 | †94⅛ | 94⅝ | 0 | +0⅛ | 8.75 |
| Sweden 8¼ 96 | 200 | 95¼ | 96⅛ | 0 | +0⅛ | 9.49 |
| Sweden 8¼ 92 | 200 | †98⅛ | 99⅛ | 0 | +0⅛ | 8.81 |
| Toyota Mtr. Cred. 9 90 | 200 | †100⅛ | 101⅛ | 0 | +1⅛ | 8.50 |
| Victorian Rep 11⅛ 92 | 150 | 107⅛ | 107⅝ | 0 | +0⅛ | 9.19 |
| World Bank 7 92 | 300 | †94¼ | 94⅜ | 0 | +0½ | 8.81 |
| World Bank 9 97 | 300 | 97¼ | 97⅝ | 0 | +1⅛ | 9.43 |
| Yasuda Trust Fin 8½ 93 | 100 | 97¼ | 97⅝ | 0 | +0⅛ | 9.17 |

Average price change... On day +0 on week +0⅛

| DEUTSCHE MARK STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Asian Dev. BK. 6 94 | 200 | 101⅛ | 102 | -0⅛ | -0⅝ | 5.69 |
| Avis Fin.SVS 5⅞ 92 | 100 | †102 | 102⅝ | 0 | +0⅛ | 5.19 |
| Bank of Tokyo 5⅛ 93 | 100 | †103⅛ | 103⅝ | +0⅛ | -0⅛ | 4.87 |
| Central BK. Turkey 7 92 | 200 | †105 | 105½ | -0⅛ | +0½ | 5.59 |
| Commerzbank o/s. 5⅛ 93 | 300 | †99⅛ | 100⅛ | +0⅛ | +0½ | 5.37 |
| Degussa Int. 6⅛ 97 | 200 | 98⅞ | 99½ | +0⅛ | 0 | 6.25 |
| E.I.B 5½ 98 | 150 | 96⅛ | 96⅞ | -0⅛ | +0½ | 5.98 |
| E.I.B 6 97 | 300 | 99⅞ | 100⅝ | 0 | +0⅛ | 5.96 |
| E.I.B. 6⅛ 96 | 300 | 100⅛ | 100⅞ | -0⅛ | +0⅛ | 6.04 |
| E.I.B. 6½ 97 | 400 | 99⅞ | 100⅝ | 0 | +0½ | 6.08 |
| E.I.B. 6⅛ 95 | 300 | 104⅛ | 105⅛ | 0 | +0⅛ | 6.01 |
| Euro.Coal& Steel 5⅞ 97 | 175 | 98⅛ | 98⅞ | +0⅛ | +0⅛ | 6.10 |
| Eurofima 6⅛ 96 | 100 | 101 | 101⅛ | 0 | +0⅛ | 6.03 |
| Elec De France 5⅛ 97 | 300 | 96⅛ | 96⅞ | +0⅛ | +0⅝ | 6.27 |
| Forsmark Krtg. 5⅛ 93 | 200 | 100⅛ | 100⅛ | 0 | 0 | 5.00 |
| I.A.D.B. 6 97 | 200 | 97⅞ | 98⅝ | -0⅛ | 0 | 6.26 |
| IBJ 5⅝ 92 | 100 | †101⅛ | 102⅛ | 0 | +0⅛ | 5.34 |
| Japan Finance 5⅛ 97 | 100 | 96⅛ | 96⅞ | 0 | +0⅛ | 6.28 |
| Ireland 6½ 97 | 300 | †100⅛ | 100⅝ | 0 | +0⅛ | 6.44 |
| Korea Dev BK 6⅛ 93 | 100 | 102⅛ | 103⅛ | +0⅛ | +0⅛ | 5.91 |
| Malaysia 6⅛ 94 | 150 | 100⅛ | 101⅛ | -0⅛ | 0 | 6.05 |
| Nat. West BK. PLC 6 98 | 300 | 97⅛ | 97⅝ | 0 | +0⅛ | 6.35 |
| Oesters. Kontbk. 5 93 | 300 | 100⅛ | 101 | 0 | +0⅛ | 4.84 |
| Portugal 5⅛ 92 | 150 | 101⅞ | 102⅛ | 0 | 0 | 5.26 |
| Portugal 6⅝ 95 | 150 | 101⅛ | 102½ | 0 | +0½ | 6.24 |
| Privatbanken 5⅛ 93 | 150 | 99 | 99⅝ | -0⅛ | 0 | 5.46 |
| Royal Insurance 5½ 92 | 300 | †101⅛ | 102 | -0⅛ | -0⅛ | 4.98 |
| Statoil 6⅛ 97 | 200 | †98⅝ | 98⅞ | -0⅛ | +0⅛ | 6.45 |
| Soc Cent Nuclear 7⅛ 95 | 150 | 104⅞ | 105⅛ | 0 | -0½ | 6.30 |
| Westlb. Finance 5 93 | 200 | †99⅛ | 99⅝ | 0 | +0⅛ | 5.12 |
| World BK. 6⅛ 97 | 600 | 100½ | 101½ | -0⅛ | +0⅝ | 6.05 |

Average price change... On day 0 on week +0⅛

| SWISS FRANC STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| African Dev.Bk. 5⅛ 96 | 100 | †102½ | 103 | 0 | 0 | 5.20 |
| Asfinag 5 02 | 150 | †98⅛ | 99 | 0 | -0⅝ | 5.11 |
| Bk. Fren.Econ. Ussr 5 98 | 100 | †100 | 100½ | 0 | -0⅜ | 4.96 |
| Bayer W/W 2½ 02 | 250 | †98⅛ | 99⅛ | +0⅛ | +1⅛ | 2.58 |
| Bayer. Vrnsbk.Os.4⅞ 98 | 100 | †99 | 99½ | +0⅜ | -0⅛ | 4.85 |
| Elec.De.France 5 07 | 100 | *†98⅞ | 99 | 0 | 0 | 5.09 |
| E.I.B. 4⅞ 97 | 200 | †100½ | 101 | +0½ | +0⅛ | 4.64 |
| E.I.B 4⅛ 97 | 200 | †99⅛ | 99⅛ | -0⅛ | +0⅛ | 4.69 |
| Enso Gutzeit 5 99 | 100 | *†99 | 99½ | 0 | -0⅛ | 5.08 |
| Ireland 5 02 | 150 | †97⅛ | 98 | -0⅛ | +0½ | 5.22 |
| Nippon Suis.Ksha.4⅛ 93 | 80 | †102½ | 103½ | +0⅛ | +0⅝ | 3.94 |
| Occident.Petrol 5⅛ 92 | 100 | †103 | 103½ | -0⅛ | 0 | 4.76 |
| Prov.of Manitoba 4⅞ 02 | 200 | †99½ | 100 | +0½ | -0⅛ | 4.78 |
| Prudential Fin. 4⅞ 98 | 200 | †99 | 99½ | +0⅝ | -0⅛ | 4.85 |
| Qantas Airways 4⅞ 97 | 110 | †97 | 97⅛ | 0 | -0⅛ | 5.15 |
| Trans-Can. Pipe 4⅞ 94 | 100 | *†101⅛ | 101⅛ | 0 | +0⅛ | 4.51 |
| [illegible] 5⅛ 96 | 120 | †102⅛ | 103 | 0 | -0⅛ | 5.03 |
| Victoria Pub.Ath.5⅛ 03 | 118 | †100 | 100⅛ | -0⅛ | -2⅛ | 5.36 |
| World Bank 5 02 | 200 | †98 | 99 | -0⅛ | +0⅛ | 5.15 |

Average price change... On day +0⅛ on week 0

| YEN STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Belgium 5⅛ 92 | 55 | 102⅛ | 102⅝ | 0 | 0 | 4.74 |
| Belgium 4⅝ 94 | 45 | 97½ | 97⅞ | 0 | +0⅛ | 5.10 |
| Canada 4⅞ 92 | 80 | 99 | 99¼ | 0 | -0⅛ | 4.61 |
| Elec. De France 5⅛ 94 | 20 | 100⅛ | 100⅝ | 0 | 0 | 5.02 |
| Ireland 5⅛ 93 | 30 | 100⅛ | 100⅜ | 0 | 0 | 5.00 |
| Norway 5⅛ 95 | 50 | 99⅝ | 100 | +0⅛ | +0⅛ | 5.14 |
| Rep. of Italy 5⅛ 92 | 150 | 103⅜ | 104 | 0 | 0 | 4.58 |
| Sweden 4⅝ 93 | 50 | 99 | 99⅛ | 0 | 0 | 4.83 |
| World Bank 5½ 92 | 90 | 103⅝ | 103⅞ | 0 | -0⅛ | 4.57 |

Average price change... On day +0 on week 0

| OTHER STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Abbey Nat.BS 10⅛ 93 £ | 50 | 101⅛ | 101⅝ | +0⅛ | +0⅛ | 9.84 |
| Alg. Bk. Ned. 5½ 92 FL | 150 | 100⅝ | 101⅝ | +0⅛ | +0⅛ | 5.19 |
| Amro Bank 6⅛ 92 FL | 150 | 101⅛ | 101⅜ | -0⅛ | -0⅛ | 5.83 |
| Barc. Aust. 14 91 A$ | 20 | 101⅛ | 101⅝ | +0⅜ | +0⅛ | 13.38 |
| Barc. Bk. 10⅛ 97 £ | 250 | 98⅝ | 99⅛ | 0 | -0⅛ | 10.42 |
| BP Capital 9⅞ 93 £ | 100 | 99⅛ | 100⅛ | 0 | -0½ | 9.77 |
| British Airways 10 98 £ | 100 | 96⅝ | 97⅜ | +0⅛ | +0⅛ | 10.47 |
| C.I.B.C.Mort.10⅛ 93 C$ | 100 | †101 | 101½ | 0 | +0⅛ | 10.37 |
| Coop.Ctr.Rabo.6⅛ 93 FL | 100 | 102⅛ | 102⅝ | 0 | -0⅛ | 5.58 |
| Coop.Ctr.Rabo.6 92 FL | 200 | 101⅛ | 102⅛ | 0 | +0⅛ | 5.44 |
| Denmark 7⅛ 92 ECU | 100 | 103⅞ | 104⅜ | -0⅛ | -0⅛ | 6.42 |
| Deutsche Bank 9⅞ 97 £ | 75 | †98⅛ | 98⅝ | -0⅛ | -0⅛ | 10.15 |
| Deut. Bk Aust.12⅛ 95 A$ | 70 | 98⅛ | 99⅛ | +0⅛ | -0⅛ | 12.95 |
| Dresdner fin.13⅝ 91 A$ | 100 | †102⅛ | 102⅝ | +0⅛ | 0 | 12.80 |
| E.I.B 10⅛ 98 C$ | 130 | †98⅝ | 98⅞ | 0 | +0⅛ | 10.34 |
| E.I.B 8⅛ 93 LF | 10 | †102 | 103 | 0 | -0⅛ | 7.94 |
| Euratom 7⅛ 97 ECU | 145 | 96⅛ | 96⅝ | -0⅛ | 0 | 7.93 |
| Eurofima 7⅛ 92 FL | 50 | 106 | 108 | 0 | 0 | 5.45 |
| Fed.Bus.Dv.Bk.9⅛ 92 C$ | 75 | †100 | 100⅛ | 0 | +0⅛ | 9.67 |
| Ford Cr.Can.10⅜ 93 C$ | 100 | †102⅝ | 103⅛ | 0 | +0⅛ | 9.92 |
| Gillette Can. 9⅝ 93 £ | 70 | 96⅝ | 97⅝ | -0⅜ | -0⅛ | 10.40 |
| G.M.A.C. 9⅛ 93 C$ | 150 | †98⅝ | 99⅛ | 0 | +0⅛ | 10.04 |
| G.M.A.C. 9⅛ 92 C$ | 75 | 99⅝ | 99⅞ | +0⅛ | +0½ | 9.36 |
| G.M.A.C Aus.Fin.14 90 A$ | 50 | 100⅛ | 101⅛ | +0⅛ | +0⅞ | 13.51 |
| Halifax BS 10⅛ 97 £ | 100 | 99⅛ | 99⅛ | 0 | -0⅛ | 10.49 |
| Heineken NV. 6½ 91 FL | 150 | †102⅝ | 103⅛ | 0 | -0⅛ | 5.19 |
| Imp Chem Inds 10 03 £ | 100 | 96⅞ | 97⅝ | +0⅛ | +0⅞ | 10.38 |
| Inv.Industry Int.10 93 £ | 60 | 100½ | 101⅛ | 0 | -0⅛ | 9.78 |
| Lloyds Bank 10⅛ 98 £ | 150 | 97⅜ | 97⅞ | +0⅛ | +0⅛ | 10.66 |
| Mtge.Bk.Den. 6⅛ 91 FL | 100 | 102⅛ | 103½ | 0 | 0 | 5.47 |
| Nat.Australia 14 92 A$ | 50 | 101 | 101½ | +0½ | +0½ | -0.16 |
| Nat. West.Bk.13⅛ 92 A$ | 50 | †102⅛ | 102⅞ | +0⅛ | -0⅛ | 12.27 |
| Nationwide BS 10⅛ 93 £ | 75 | 100⅛ | 100⅜ | 0 | +0⅛ | 9.97 |
| Ned.Midd.Bank 6 92 FL | 150 | 101⅛ | 101⅝ | -0⅛ | -0⅛ | 5.58 |
| New Zealand 9½ 93 £ | 100 | 98⅝ | 99⅛ | +0⅛ | +0⅛ | 9.79 |
| New Zealand 7⅛ 93 ECU | 200 | 100⅝ | 101⅝ | 0 | 0 | 7.51 |
| Oesters.Ktbk.13⅝ 94 A$ | 75 | 101⅛ | 101⅜ | +0⅛ | 0 | 13.22 |
| Prudential Fin.9⅛ 07 £ | 150 | 90⅛ | 90½ | -0⅛ | +0⅛ | 10.59 |
| Royal Bk.Scot.10⅛ 98 £ | 125 | 99⅛ | 99½ | +0⅛ | -0⅛ | 10.79 |
| S.O.R. 7⅛ 95 ECU | 90 | 99 | 99½ | -0⅛ | 0 | 7.89 |
| Wstd.Lb.Fin. 12⅛ 93 A$ | 50 | †101 | 101½ | +0⅛ | +0⅛ | 12.13 |
| World Bank 5⅛ 92 FL | 100 | 101½ | 102⅛ | -0⅛ | -0⅛ | 5.23 |
| World Bank 13⅛ 92 A$ | 100 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| FLOATING RATE NOTES | Spread | Bid | Offer | C.dte | C.cpn |
|---|---|---|---|---|---|
| Alberta 3 93 | †.0312 | 100.15 | 100.25 | 13/06 | 8.17 |
| Alliance & Leic.Bld 94 £ | .08 | 99.35 | 99.40 | 21/07 | 8.33 |
| Belgium 91 | 0 | 100.25 | 100.35 | 22/08 | 7 |
| Britannia 5 93 £ | 0⅛ | 99.84 | 99.89 | 8/07 | 8⅛ |
| Chase Manhattan Corp 91 | 0⅛ | 99.25 | 99.43 | 22/08 | 6.94 |
| Citicorp 98 | †0⅛ | 96.65 | 96.90 | 31/08 | 7.69 |
| EEC 3 92 DM | †0 | 100.51 | 100.61 | 22/08 | 3.56 |
| Halifax BS 94 £ | .1 | 99.69 | 99.73 | 9/08 | 8.47 |
| Invt. In Industry 94 £ | 0 | 99.55 | 99.65 | 24/08 | 7.81 |
| Leeds Perm. B/S. 94 £ | 0⅛ | 99.94 | 99.99 | 13/07 | 8.37 |
| Midland Bank 01 £ | .1 | 94.25 | 95.25 | 11/08 | 8.54 |
| Milk Mkt.Brd. 5 93 £ | 0⅛ | 99.75 | 99.79 | 30/06 | 8.81 |
| New Zealand 5 97 £ | .07 | 99.83 | 99.93 | 19/08 | 7.81 |
| New Zealand 5 01 | 0 | 99.54 | 99.64 | 4/08 | 6.98 |
| United Kingdom 5 92 | †0 | 100.01 | 100.11 | 7/07 | 6.94 |
| Woodside Fin. 5⅛ 97 | †0 | 99.45 | 99.55 | 28/07 | 7.31 |
| Woolwich 5 95 £ | 0⅛ | 99.37 | 99.42 | 19/08 | 7.87 |

Average price change... On day +0.02 on week -0.03

| CONVERTIBLE BONDS | Cnv. date | Cnv price | Bid | Offer | Chg. day | Prem |
|---|---|---|---|---|---|---|
| Alcoa 6⅛ 02 | 8/87 | 62. | 98⅛ | 99⅛ | -0⅛ | 26.54 |
| Alco Health 6⅛ 01 | 17/86 | 26.25 | 102 | 103 | +0½ | 1.04 |
| American Brands 7⅛ 02 | 9/87 | 56.7 | 98⅛ | 99 | -0⅝ | 25.66 |
| American Can Co. 5½ 02 | 4/87 | 66.75 | 62⅛ | 63⅛ | +0⅛ | 73.07 |
| Ashikaga Bank 2⅛ 02 | 4/87 | 967. | 139⅛ | 141⅛ | +4⅞ | 2.63 |
| Asics 5 92 DM | 12/83 | 472.7 | 198⅛ | 200⅛ | -0½ | 3.89 |
| CBS. Inc. 5 02 | 4/87 | 200. | 90⅝ | 91⅝ | +0⅛ | 14.98 |
| Fuji Hvy Inds 3 00 | 8/85 | 676. | 204⅛ | 206 | +5⅛ | 2.50 |
| Fujitsu 3 99 | 5/84 | 1106. | 250 | 251 | +0⅛ | -1.96 |
| Gunma Bank 2⅛ 02 | 4/87 | 808. | 174⅛ | 175⅛ | +5⅛ | 8.81 |
| Kinki-Sogo Bk. 2⅛ 03 US | 4/88 | 1069. | 127⅛ | 129⅛ | +5⅛ | 7.43 |
| Land Secs. 6⅛ 02 £ | 6/87 | 6.72 | 100½ | 101½ | 0 | 17.43 |
| MCA Inc 5½ 02 US | 9/87 | 69.62 | 78⅛ | 79⅛ | -0½ | 35.81 |
| Minolta Camera 2⅛ 94 DM | 2/86 | 1004. | 103⅛ | 104⅛ | +1 | 20.86 |
| Mitsubishi Bk. 1⅛ 02 US | 9/87 | 3157. | 120⅛ | 121⅝ | +2⅛ | 5.20 |
| Mitsui trust 2⅛ 01 | 10/86 | 1903. | 147⅛ | 149⅛ | +5⅛ | 1.45 |
| Next Plc 5⅛ 03 £ | 11/87 | 4.3 | 103½ | 104½ | -0⅛ | 70.69 |
| Nishi Nipp.Bk 2⅛ 03 US | 4/88 | 804. | 150 | 151½ | +16⅛ | 24.95 |
| Omron Tateisi 2⅛ 02 | 4/87 | 1310. | 223⅛ | 225 | -1½ | -1.07 |
| Ranks Hovis 4⅛ 03 £ | 1/88 | 3.5 | 117⅛ | 118⅛ | -0⅝ | 13.53 |
| Redland 7⅛ 02 £ | 1/87 | 5.4 | 91⅛ | 92⅛ | -0⅛ | 20.84 |
| Texas Inst. 2⅛ 02 US | 9/87 | 82.87 | 78⅛ | 79⅛ | +1⅛ | 37.40 |
| W.R. Grace 6⅛ 02 US | 9/87 | 42.12 | 81⅛ | 82⅛ | +0⅛ | 33.27 |

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

# Savoy renews defence against THF

BY DAVID WALLER

The Savoy Hotel, the luxury hotel group which operates Claridges and The Connaught as well as The Savoy itself, yesterday fired the latest salvo in its long-standing battle to stay independent of Trusthouse Forte, the larger hotel company which first bid for The Savoy in 1981.

The Savoy has issued a document in which it expounded its detailed reasons for urging shareholders to censure THF for its latest bout of litigation against The Savoy at an extraordinary general meeting scheduled for July 1. For the first time, shareholders are treated to a detailed exposition of the arguments and counter-arguments in the legal imbroglio.

At issue is a crucial 5.77 per cent block of high-voting 'B' shares in The Savoy which THF is seeking to have disenfranchised on the basis that they were issued as part of a "dishonest scheme" by Sir Hugh Wontner, the former Savoy chairman, to increase his voting power.

Should THF succeed in its action, it would increase its votes to 44.92 per cent and reduce the votes controlled by the Savoy board from about 50 to 47 per cent. Because of a two-tier voting structure introduced by The Savoy in 1951, THF now holds some 69 per cent of the equity but only 42.3 per cent of the votes.

The main text of the document, prepared by The Savoy's litigation committee, does not address the circumstances surrounding the issue of the block of 'B' shares in 1970 when The Savoy bought the Hotel Lancaster in Paris.

It contends that the litigation should be frustrated for the benefit of the shareholders, on the basis that the disenfranchising of the shares would give THF effective control of the company without it being obliged to launch an offer to other shareholders. This would precipitate a sharp decline in the price of both the 'A' and 'B' shares. This argument is endorsed by Barings, The Savoy's merchant bank.

The litigation committee has taken the unusual step of saying that "there exists some documentation to support some of THF's allegations". Which ones the report does not disclose, but it does contain a categorical rebuttal of THF's contention that the vendor of the Lancaster never received letters of allotment for the crucial tranche of shares.

The shares were allotted in May 1970 and in September 1970, and were registered in the name of Interbaer Nominees. Beneficial ownership of the shares was transferred to La Fondation pour la Formation Hotelière, a Swiss-based charity controlled by Sir Hugh, in 1973; they are now registered in the name of Childs Nominees.

THF's intricate legal case revolves around what happened to the shares between 1970 and 1973. Sir Hugh says that all the shares were allotted to the vendor of the Lancaster and found their way to the Swiss charity as part of a legitimate vendor placing.

THF said last night it would proceed with its litigation irrespective of the outcome of the egm. It is due to respond in a circular of its own.

# B&C close to buy-out of Bricom

British & Commonwealth Holdings, financial services group, is expected to announce tomorrow a £350m management buy-out of Bricom, its transport and industrial services subsidiary.

Finishing touches were being put on the deal, arranged by Baring Capital Investors, yesterday. Under the BCI umbrella, Standard Chartered Bank is organising the debt financing for the transaction. B&C is expected to retain a 20 per cent equity stake in Bricom.

## Lombard North at £57.6m half-way

In the half year to March 31 1988 Lombard North Central lifted pre-tax profits by 19 per cent from £48.5m to £57.6m. The reduction in interest rates was beneficial to the company.

Sir Hugh Cubitt, chairman of this finance house subsidiary of National Westminster Bank, said that barring a significant adverse movement in money costs he anticipated profits for the full year at not less than last time's £103m.

Attributable profit for the period was £33.6m (£29.5m), or 25.8p (23.8p) per share.

# Laporte acquires Lustral for £4.9m

BY ANDREW HILL

Laporte Industries, the international speciality chemicals group, has added to its industrial cleaning and maintenance activities with the acquisition of Lustral, an Australian company, for A$11m (£4.88m) in cash.

Last month Laporte bought the UK-based Gramos, which also manufactures chemicals with cleaning, maintenance and environmental applications, for £14.4m in cash.

Among other things Lustral, once a licensee for Gramos, supplies Australian firefighters with substances for tackling low-boiling chemical fires.

The company, which has its headquarters in Melbourne, also manufactures alternatives to organic-based solvents, to reduce the risk of fire in laboratories and factories, and makes industrial cleaning fluids for aircraft maintenance.

Lustral has annual sales of over A$16m and makes a 20 per cent return on sales, according to Mr Ken Minton, Laporte's chief executive.

Laporte has now spent almost £30m on acquisitions since the beginning of the year on January 1, although Mr Minton said the cost would be covered by cash generation from the rest of the business. He added that the company was considering further purchases and would like to expand its cleaning activities into the US.

## Irish bid submission

BY LISA WOOD

GC & C Brands, the company set up by Irish offshoots of Allied Lyons and Grand Metropolitan to launch a hostile I£196.5m (£171) bid for Irish Distillers, the only producer and marketer of Irish whiskey, has made its submission on the bid to the Irish Government.

Under the terms of the Irish Mergers and Monopolies Act all bids for Irish companies have to be referred to the Government.

Mr Tony O'Brien, a member of the board of GC & C Brands said the board argued that it would be breaking up an existing monopoly: Allied Lyons and Grand Metropolitan plan to break up the portfolio of Irish whiskey brands and compete against each other.

Mr O'Brien said the bid's rationale had been explained - that it was export driven with GC & C Brands believing the future of Irish whiskey was best served by the Government approving the bid.

# SE blunders on results of Cater Allen

By Clay Harris

THE STOCK EXCHANGE last night prematurely released the full-year results for Cater Allen Holdings, discount house group, showing a 30 per cent increase in disclosed profits to £7.15m for the 12 months to April 30.

The result, which was not due to be announced until today, appeared on the Topic news service screen for about 20 minutes before it was removed. The company said the result had been delivered to the Stock Exchange under embargo, a common practice.

Cater Allen reported profits of £4.75m (£4m) from traditional market-making operations, after rebate and transfer to reserves for contingencies, and £2.4m (£1.5m) from diversified activities.

A proposed final dividend of 17.13p will raise the total to 22.5p (20.15p). The Financial Times will publish a fuller report on the results in tomorrow's edition.

## Sanders & Sidney

Sanders & Sidney, a USM company, has boosted pre-tax profits from £581,000 to £778,000 in the year to March 31 1988. A final dividend of 4p makes a total of 6p.

# Mowlem pays £2m for Erskine House subsidiary

BY ANDREW HILL

Erskine House Group, the acquisitive office equipment company, has sold its pest control division to Mowlem, the international construction group, for £2m in cash.

Mowlem also paid off £651,000 borrowed from Erskine House by the division – which manufactures the Insect-O-Cutor wall-mounted flying insect exterminator.

Mr Brian McGillivray, chairman, joined Erskine House – then a security services and bureau de change company – from Rentokil in 1983, and started building up the pest control division the following year. He said yesterday that he now saw more benefit in concentrating on the supply and service of office equipment.

A division supplying and servicing fire extinguishers is now the only activity not connected with office equipment. Mr McGillivray said the extinguisher business was doing well and would not be sold off in the foreseeable future.

Mowlem will add the pest control division – which made £73,000 before tax in the year to March 31 – to its building preservation and restoration subsidiary, Peter Cox Environment Services.

The construction company said the acquisition would give it a national network and the UK's second largest pest control business, though still dwarfed by Rentokil.

# MAI increases stake in AGB Research to 8.92%

BY CLARE PEARSON

MAI, money broking and poster group, has increased its stake in AGB Research, Britain's largest market research company, to 8.92 per cent.

Mr Peter Tyrer, AGB's finance director, said he regarded MAI's stake as friendly: an unchanged view from when MAI increased its stake beyond the 5 per cent declarable level last month.

AGB's shares closed 1p lower at 240p yesterday, having risen sharply in recent days.

Sir Bernard Audley, AGB chairman, is a non-executive MAI director. MAI is also the largest investor in AGB's loss-making US project for electronic monitoring of TV audience levels.

Mr Clive Hollick, MAI's chairman, declined to comment on the stake-building yesterday.

# Premier signs $200m loan

BY STEVEN BUTLER

Premier Consolidated Oilfields, Britain's third largest independent oil company, has signed a $200m (£109.8m) credit facility aimed at funding development costs and a variety of other corporate activities.

Mr Roland Shaw, chairman, said existing borrowings of $5.9m (£3.24m) would be repaid, and the loan would provide funds for Premier's 12¼ per cent share in the Wytch Farm oilfield development. A final purchase price instalment of £32.5m is due to HM Treasury late next year.

The funds would be used for expansion of operations in the North Sea and Far East, and also for possible acquisitions.

Premier holds current assets in excess of £25m.

## Lamont severs Scottish link

By Clay Harris

Lamont Holdings, Belfast-based textiles group, has severed the final link with its Scottish engineering heritage by selling James H Lamont, maker of compression fittings, for £1.82m.

Sir Desmond Larimer, chairman, announced the disposal "with some regret" at yesterday's annual meeting. The sale comes 15 years after Sir Desmond and Ulster Bank took control of James H Lamont and began to diversify its activities.

"As it was not a part of our corporate strategy to develop or expand our engineering activities, it was felt that it would be in the best longer-term interest of James H Lamont to become part of a group active in the heating engineering and plumbing sectors," Sir Desmond said.

The business achieved trading profit of £304,000 on turnover of £3.49m in 1987. At December 31, it had net assets of £1.3m. The buyer is a newly formed company owned by Mr Christopher Halcroft and Mr Alistair Pate.

## Lowe Howard acquisition

By Fiona Thompson

Lowe Howard-Spink & Bell, advertising agency and public relations group, is to acquire Hamilton Wright Marketing, a UK direct marketing agency, for an initial payment of £1.04m cash. Additional payments up to a further maximum of £3.96m will be payable during 1990 to 1993 depending on future profits of Hamilton Wright.

The vendors have warranted that post-tax profits at Hamilton Wright for 1988 will not be less than £135,000.

## Hardanger growth

Profit growth has continued at Hardanger Properties, property developer, with an increase of 33 per cent for the first half.

In the six months ended March 31 1988, turnover rose marginally to £7.77m (£7.37m) while the pre-tax profit came to £2.32m (£1.75m). From earnings of 20.31p (15.27p), the interim dividend is raised to 7.5p (4.74p).

## DIVIDENDS ANNOUNCED

| | Current payment | Date of payment | Corres-ponding div | Total for year | Total last year |
|---|---|---|---|---|---|
| Brooke Tool Eng ....int | 0.7 | - | 0.675 | - | 1.675 |
| Caffyns ....fin | 5.8 | - | 4.3 | 10 | 7.5 |
| Cater Allen ....fin | 17.13† | - | 14.78 | 22.5 | 20.15 |
| Coloroll ....fin | 3.96† | - | 3.45 | 6.6 | 5.75 |
| Hardanger Props ....int | 7.5 | July 5 | 4.74 | - | 14.6 |
| Heath (CE) ....fin | 18.38‡ | Aug 22 | 17.89 | 25.68 | 24.99 |
| Mecca Leisure ....int | 1.75 | - | 1.5 | - | 3.65 |
| Osborne/Little §....fin | 3.3 | July 13 | 2.6 | 5 | 3.9 |
| Rothschild (J) ....fin | 5.5 | July 25 | 3.5 | 8 | 6 |
| Sanders/Sidney §....fin | 4 | - | 0.5 | 6 | 5.23* |

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ‡Carries scrip option

# UK COMPANY NEWS

SALE OF PAPER AND PACKAGING INTERESTS IMMINENT

# Reed Intl rises to £243m despite exchange rates

BY FIONA THOMPSON

# Acquisitions help Coloroll leap

BY ALICE RAWSTHORN

# Telfos in hostile bid for Runciman

By Clay Harris

Nikki Tait looks at J Rothschild Holdings' demerger scheme

# A maverick returns to his roots

GLANCE at any file on J. Rothschild Holdings and 'where next'" questions loom large. For once, however, the ofteo-maverick Jacob Rothschild does oot appear to have bemused the City.

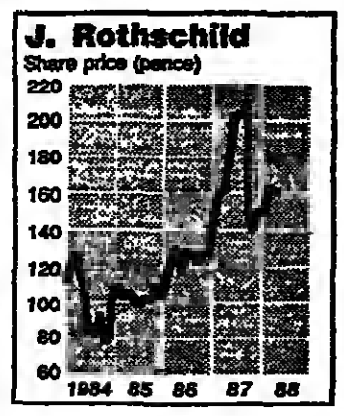
The essence of yesterday's scheme for 'demerging' J. Rothschild's longer-term investments into a new investment trust, RIT Capital Partners, is simple. Instead of combining a highly active dealing business and a loo-ger-term investment portfolio in one vehicle, there will be qooted companies reflecting both operations.

That makes tax-efficient sense. RIT Capital Partners will be a fully fledged investment trust – which means that, as long as it obeys certain investment and distribution restrictions, it escapes paying capital gains tax on its portfolio.

Meanwhile, the ou-going J. Rothschild Holdings can continue oo its jazzy, investmeot dealing way – free to make full use of *hedging mechanisms, option* and curreocy trading, to an exteot which could fall foul of the investment trust restrictions. Of equal significance, is the freedom to continue to buying-in its own shares – a tactic forbidden to investment trusts.

To effect the change, J. Rothschild Holdings is offering to distribute 60 per cent of the capital of RIT, retaining a 40 per cent stake. Shareholders in JRH will receive 10 RIT shares plus £6 nominal of convertible stock, for every 30 JRH shares held.

Meanwhile, JRH, which had net assets of £628m at end-March, will move about £125m-worth of longer-term investments into RIT, plus £20m of property holdings. The remainder of RIT's




£265m issued capital – £165m of ordinary shares and £100m of convertible stock – will be matched on the asset side by cash.

In one sense, the deal has a neat irony, in that it brings Jacob Rothschild back to the investment trust business. The existing J. Rothschild company has its origins in the sixties and seventies, when Jacob Rothschild first created and then ran Rothschild Investmeot Trust – a particularly actively-managed and somewhat unconventional fund.

In 1980, there was the famous split between Jacob Rothschild and his cousin, Evelyn de Rothschild, *chairman of merchant* bank N. M. Rothschild, and the name was changed to RIT. It then altered again in 1982 to RIT and Northern, following a merger with Great Northern Investment Trust.

Come the early eighties, the emphasis became a hefty push into financial services. RIT and Northern merged with Charterhouse Group in 1983, to form Charterhouse J. Rothschild, and then planned to create a £1bn financial services group via a marriage with Hambro Life in 1984. Along the way, investment trust status was *lost*.

The Hambro deal fell through, bowever, and by early-1985 the Charterhouse Japhet merchant bank was up for sale. That effectively heralded the end of the financial services, with the sale of a 29.9 per cent ioterest in stockbrokers Kitcat and Aitken going to Orioo Royal Bank shortly afterwards.

Once the decision to move out of financial services had beeo taken, the again-renamed J. Rothschild Holdings became – at least in some City eyes – a less exciting and somewhat aimless beast.

JRH itself made clear its intention, to increase net worth per share. But however sensible, the ensuing purchases by JRH of its own shares fell short on glamour besides the prospect of a billion-pound financial services group.

The distribution of RIT shares (and convertible stock) will be treated like a dividend – and become considerably more bearable at current income tax rates. Hence the timing of the scheme.

Continuing oo this thema, while RIT will coocentrate on capital growth and pay only a small dividend, the slimmer JRH will retain less of its income – either because more is being distributed hy way of dividends or because more is devoted to buying in shares.

*Having declared an 8p total* for 1987/8, it expects to at least hold this in 1988/9, despite the £160m shrink in its asset base. That, suggest analysts, could give a prospective yield on the post-demerger share *price of over 6 per* cent net.

But perhaps an equally novel element to the scheme is the issue, and potential use of convertible stock in RIT. While investment trusts cannot buy in their own shares to eliminate any difference between underlying asset value and the share price, they can buy in convertible *stock. And that, says JRH*, is exactly what RIT may do if large discounts threatcn, thereby aiding asset values on both the converible stock and the ordinary shares.

Both companies, of course, are a punt on abilities of the JRH management – which continues to run the RIT portfolio on a performanced-fee. But shareholders may take heart from J. Rothschild Holdings' figures for the year to end-March, also published yesterday.

Pre-tax profits up from £110.8m to £100.9m were higher than most *analysts' forecasts*, and fully diluted assets per share rose by 6.5 per cent to 209.5p.

The October crash told on the investmeot holding side, with profits down from £26.3m to £5.1m, *but investment dealing* rose to £115.7m (£110.7m). The central interest charge fell steeply from £36.8m to £12.5m.

Earnings per share, on the shares in issue at end-March, were 26.4p (20.2p). During the year, *JRH bought* in 41m shares at a cost of £68.2m.

That asset performance, as JRH is quick to point out, is ooticeably better than most investment trusts and the FT All Share index. As one analyst puts it, that should keep the Rothschild fan club more than content.

# Heath beats forecasts with 38% advance

BY NICK BUNKER

C.E. Heath, the Lloyd's insurance broker, pleasantly surprised the City yesterday with a 38 per cent rise in annual pre-tax profits to £20.03m, significantly ahead of most recent forecasts, indicating the extent to which the group has recovered operational momentum since its merger in late 1986 with rival broker Fielding Insurance.

Some of the stock market's initial enthusiasm subsided as analysts picked up what they interpreted as hints that Heath could be clearing the decks for a rights issue. The shares closed, however, 8p up on the day at 424p, as most stockbrokers revised upwards their earning forecasts for 1988-89.

*Earnings per share* were op 30 per cent at 26.1p for the 12 months ending March 31 1988, and Heath is maintaining its dividend at 18.375p.

The £20.3m of reported pre-tax profits followed an exceptional charge of £2.22m, made np of post-merger redundancy and reorganisation costs and extra provisions to cover legal fees incurred by Pinnacle, which is involved in complex litigation arising from the insolvency of Mentor.

Mr Richard Fielding, gronp chairman, said in a lengthy summary of the group's state of health that 1986-87 had been "a very troubled year", when Heath had suffered blows including the Mentor litigation, mass staff defections and the nationalisa*tion of its workers' compensation* business in Australia.

But he added: "The corner has been turned and I believe the group is set fair to build on these results."

He stressed, however, the uncertainties surrounding the run-off of claims on Heath's Australian workers' compensation.

**● comment**

*Few analysts can remember* when they last saw a detailed eight-page results statement from a chairman of Heath, a company emerging from a deeply-troubled period. Cynics reacted by assuming that the new-found *glasnost* presages a rights issue soon, prompted perhaps by possible future needs to bolster its Australian claims reserves. A more *charitable view is that* Mr Fielding - an aggressive and respected reinsurance specialist - is simply showing the kind of candour Heath should have adopted a decade ago. On the positive side, group turnover was down only five per cent at £83.9m, inspite of the weak dollar and falling premium rates, two factors which have savaged all London's broking houses recently. Given that *Heath appears* to be *winning new* business in aviation, UK retail and reinsurance, it is clearly making good progress in current operations, and will benefit this year from newly recruited teams of aviation, marine and North American insurance brokers. But uncertainties over Australia and Pinnacle/Mentor mean that the share price - at 16 times last *year's earnings - still looks a little* exposed.

# Osborne & Little up 41% and set for full listing

Osborne & Little, which makes the floral wallpapers and flouncy furnishiogs favoured by the sloane ranger set, increased pre-tax profits by 41 per cent to £2m ...

In the two years since it moved into the US, Osborne has built up a *base of 5,500* customers.

## Brooke Tool rises to £0.75m midway

# UK COMPANY NEWS

## Sale to FT helps Regalian surge £14.5m to £22.7m

BY ANDREW HILL

PROCEEDS FROM the sale of a new headquarters for the Financial Times helped Regalian Properties, residantial developer, almost treble pre-tax profits in the year to March 31.

The company made £22.7m, against £8.22m in 1986-87.

Pearson, which owns the FT, bought the development south-east of London's Southwark Bridge last summer for £74.4m, payable in instalments over three years.

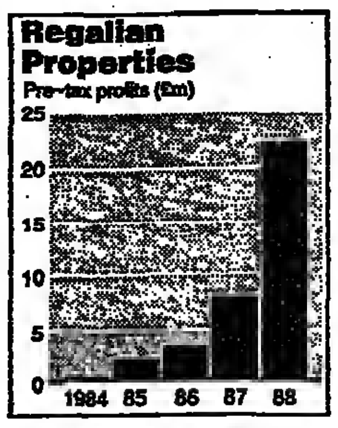
Mr David Goldstone, Regalian's managing director, would not quantify the contribution from the sale of the 155,000 sq ft office block, but analysts estimate about £11m was added to profits.

The building should be complete before the end of the current financial year and Regalian said it would continue to provide a significant proportion of profits in the next two years.

The company said it had just gained planning consent for a 130,000 sq ft office building next to the new FT headquarters.

Turnover in 1987-88 increased to £56.9m (£27.2m). Earnings per share rose 83 per cent to 16.47p (9p).

The group is recommending a final dividend of 2.5p, making 3.5p (2p) for the year.




Mr Goldstone said Regalian's policy was for dividends to rise in line with earnings per share.

Regalian only initiated one project during the year. This was the controversial Kensington Palace Gardens development – apartments priced between £2m and £9m, the original plans for which aroused the ire of local residents, including the Prince of Wales.

The company said 1987-88 was a year of consolidation. With the help of an £80m cash advance facility from a consortium of banks, Regalian would grow further by acquiring new projects during the current year.

Regalian is part of a consortium on the short-list of four groups competing for the redevelopment of County Hall, former headquarters of the now defunct Greater London Council.

### ● comment

Regalian's profile can rarely have been higher than in the past 12 months. Its bid for the residential side of the County Hall redevelopment follows hard on the heels of Prince Charles' disapproval of the original Kensington Palace Gardens plans, and the sale of the FT building, expected to provide similar profits – estimated at £12m per year – up to 1990. This is not to underplay Regalian's bread-and-butter revenue from residential properties in London and elsewhere. The current development programme has an estimated sales value of over £600m and should last more than four years. Mr Goldstone says he expects prices to rise between 8 and 10 per cent this year, but as things stand this may well be a conservative forecast; demand has apparently remained buoyant despite post-crash horror stories of luxury apartments standing empty. Pre-tax profits this year should top £40m. The shares rose 5p to close at 180p last night, but still look cheap on a prospective multiple of about 6.5.

## Automated Security £40m rights

By David Waller

Automated Security Holdings, security systems group, is making a £39.8m rights issue to fuel expansion overseas.

Mr Tom Buffett, chairman and chief executive, said that the cash would be used to build ASH into one of the world's largest security systems companies.

No specific acquisitions are targeted as yet, but the first moves are likely to be in continental Europe in anticipation of the creation of a single market in 1992.

Acquisitions are likely to be large: Mr Buffett said that ASH would be able to deploy £100m after the issue without stretching the balance sheet unduly.

ASH is one of the UK's leading specialists in security services such as the installation of burglar alarms. In a range of overseas countries it has subsidiary operations which have been developed organically.

The cash will be raised through the issue of 40.9m 6 per cent convertible preference shares, on the basis of one new preference share for every two ordinary shares, and 5 new preference shares for every 17 existing preference shares.

The right to convert the shares can be exercised on May 31 in each of the years from 1991 to 2006 at an effective conversion price of 266.7p per ordinary share, which compares to yesterday's opening price of 243p.

On a fully diluted basis, ASH's equity base will expand on conversion by 15m shares to a total of 95m.

In March this year, ASH reported a 22 per cent increase in pre-tax profits to £15.1m for the year to November 1987; turnover rose from £51.8m to £63.9m.

## Caffyns maintains profits and sees steady growth

Caffyns, Eastbourne-based motor dealer, the shares of which have been the subject of speculative fervour recently, reported maintained pre-tax profits of £1.93m for the year ended March 31 1988, against £1.91m.

Trading in the current year was satisfactory and steady growth was envisaged, the directors said.

In the year the group improved its operating profit to £2.39m (£1.96m) from a turnover of £116.65m (£107.48m). This was backed up by a cut in interest charges to £577,000 (£1.26m), but offset by a greatly reduced exceptional credit of £418,000 (£1.2m).

A tax credit of £164,000 (£406,000 debit) helped earnings to 61.7p (43.6p), and the dividend is raised from 7.5p to 10p with a final of 5.8p.

The most important change in the year was completion of the withdrawal from the heavy commercial market. Benefits will become apparent in the current year as 1987/88 included a loss of £190,000 from that side, while the investment released helped to reduce borrowings.

The loss of £8m turnover had been more than compensated by increases in other divisions.

Mr Colin Giltrap, the New Zealand car distributor, owns some 8.4 per cent of Caffyns shares, and Allied Partnership Group holds over 10.5 per cent. The Caffyn family has firm control of the company through voting preference shares.

## Reliant Motor considers cash call

Reliant Motor is about to reorganise for the future and is considering a rights issue later in the year to achieve a further reduction in borrowings.

Shareholders were given the news in the interim statement covering the half-year ended March 31 1988, which showed that the motor vehicle manufacturer stayed in profit with £13,000 pre-tax. This compared with a loss of £29,000 and a profit of £153,000 for the full 1986-87 year, which was helped by the sale of tooling and manufacturing rights for the Scimitar GTE/GTC.

The directors were looking for an improved performance in the second half. They were expecting a worthwhile acquisition in the autumn coupled with useful internal growth.

Sales in the half-year were £6.57m (£5.63m). The new Rialto hatchback was well received and the order book was very promising, while sales of the Scimitar sports car had been maintained, and revenue from spare parts was on budget.

Reliant Industrial Mouldings was on course for a year's turnover of at least £1.75m, mainly because of major contracts for taxi body shells and Ford transit roofs.

### BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Bradstock Grp, Candover Engineering, Carr's Milling Inds, Johnson & Firth Brown, Lonrho, RCO Holdings, Sutter Group.

Finals- Beecham, Boots, BT, Oyster Allen, Electrocomponents, Finlay (James), Hunter Saphir/TL Inds, Tech., Learmonth & Burchett, Leigh Interests, Lyndon Property & Reversionary, New Throgmorton Tst, Phoenix Timber Group, 600 Group

FUTURE DATES

| | |
|---|---|
| Interims- | |
| Raeburn Investment Trust | June 23 |
| Finals- | |
| Boots Industries | June 22 |
| Cable & Wireless | June 22 |
| Campbell & Armstrong | June 22 |
| Charter Cons. | June 22 |
| Dolmar Group | June 21 |
| ESAB | June 21 |
| Equity & General | June 13 |
| Gold Greenlees Trott | June 16 |
| Graycoat Group | June 23 |
| Halma | June 28 |
| Harmony Leisure | June 16 |
| Hogg Robinson | July 6 |
| Life & Overseas Freighters | June 14 |
| Reliance Security | June 21 |
| TGI | June 14 |
| Volex Group | June 20 |

### APPOINTMENTS

## London Life board changes

LONDON LIFE, which is to merge with the Australian Mutual Provident Society (AMP), has appointed Mr Andrew Wakeling as a deputy managing director from July 1. He is a partner in consulting actuaries Bacon & Woodrow and became involved in the merger negotiations. He became a London Life director on June 1. Mr Martin Mays-Smith has been appointed vice president in succession to Mr John fforde who remains on the board. Mr Ian Salmon, AMP's chief general manager - international, joins the London Life board. Lord Catto, UK chairman of AMP, joins the board on July 1. They will replace Mr Michael Short and Mr Charles Black who will retire on June 30.

★

Mr Owen Cawser, a director, has taken over as non-executive chairman of TQ INTERNATIONAL from Sir Joseph Pope. Sir Joseph and Lady Pope, deputy chairman, have retired, but will remain directors and Sir Joseph becomes a consultant.

★

Mr Subbash Shukla has been appointed managing director of NASHUA COPYCAT, Bracknell, succeeding Mr Carl Thomas. Mr Shukla was at Rank Xerox international headquarters responsible for Xerox supplies and copy service division.

FKI-METAMEC has appointed the following directors: Mr Robert J. Gale, finance, Mr Kevin L. Tarrant, technical, Mr Harold B. Webster, engineering, Mr Colin Armitage, production, and Mr Steven Catchpole, operations director.

★

HENRY BARRETT GROUP has made Mrs Carol Watkinson its group financial controller. She has also become financial director of Potter-Johnson Steel Buildings and Westbury Tubular Structures, both subsidiaries of the Henry Barrett Group.

★

Mr Peter Murphy has been appointed a director of JAMES LAWSON CONSTRUCTION with responsibility for business development, marketing and personnel.

★

Mr Malcolm Farrar has been appointed to the new position of managing director of EXIDE INTERNATIONAL SERVICES from June 20 with responsibility for the activities of Chloride International Projects and Chloride International Marketing. He was marketing director of Oldham Batteries.

★

Mr Christopher Ring has been appointed a director of WISE SPEKE (HOLDINGS) and subsidiary companies. He was an executive director at Scrimgeour Vickers Asset Management. He will be joined by Mr Jeffrey Wright, as a director of Wise Speke, and Mr Geoffrey Whitborn as head of retirement services at Pilgrim Financial Services.

Mr Andrew Wakeling becomes a deputy managing director of London Life from July 1

★

PRUDENTIAL HOLBORN has made the following appointments. Dr John Michael Browne has been appointed business planning director. He was marketing and medical planning manager in the pharmaceutical division of Ciba-Geigy (UK). Mr Justin Harrington has become finance director. He was a management consultant with Price Waterhouse. Mr W.A. (Tony) Kempster has joined as marketing director from Crown Financial Management, where he was market development director.

★

Mr Roger Tresias, managing director of Lady Clare, has been elected president of the BRITISH JEWELLERY & GIFTWARE FEDERATION.

★

At WILSON GROUP Mr Hugh J.R. Dunn, group chief executive, becomes deputy chairman on August 1. He will remain managing director of the Morley Book Co, a principal operating subsidiary. Mr Ronald Russell-Hobbs is joining the parent company as a director and group chief executive. He was formerly with Longman Group, Pergamon Press and BPCC.

# UK COMPANY NEWS

**Christopher Parkes and David Waller** on a market not ready to pay

## Parker draws the line on flotation

SMALL earthquake in City, not many dead...

There was, however, some moderately severe damage in the aftermath of yesterday's upset, which saw Parker Pen – feeling the earth move underfoot – scampering back to its fastness in Newhaven, Sussex, scattering its flotation plans in its wake.

The pride of Mr Jacques Margry, group chief executive, was among the first reported casualties. A meticulously cautions man, he had consistently been more preoccupied with the detailed management task of rebuilding the reputation and fortunes of Parker than the intricacies of flotation at some point in the future.

But backing for the $70m buy-out in 1986 from the company's US parent *was conditional* on a future Stock Exchange listing. Mr Margry had done his job, turning whacking US losses into profit after starting to mend Parker's damaged reputation for quality, and producing a 22 per cent increase in group profit last year.

The company was ready for the market, but as things turned out, the market was judged not to be ready to pay the price expected by Parker's ambitious shareholders.

Mr Margry said yesterday that the offer was scrapped because his advisers Lazard Brothers and Cazenove were pessimistic about the fragile state of the stock market. However, thare was only sunny optimism from the brokers and bankers thrse weeks ago when tbey announced the impending offer for sale.

He is still optimistic, but there may be after-shocks. The majority shareholders may not be prepared to wait for the market to regain its bullish tone, and if a fat enongh offer came in, they would probably have little compunction about selling Parker.

Dunhill and Gillette of the US, among others, showed mncb interest at the time of the buy-out. Gillette has since taken over Waterman of France, one of Parker's main competitors, and intervention from this qnarter cannot be ruled out.

Another possible casualty of yesterday's events was the argument – aired at length in the *Nestlé-Rowntree-Suchard affair* – that good brand names are of incalculable worth.

They do not come much better than Parker, 100 years old this year, and with a cachet which enabled the company to sell almost 100,000 of a special edition pen at $250 apiece last year. It ranks among the top 10 world brands, and Mr Margry is especially proud that at the last count it scored more recognition points worldwide than Mickey Mouse.

Perbaps yesterday's events offer more evidence to support accusations that tbe City has consistently undervalued sncb *intangible assets.*

But is tbere any long-term damage, for example, to the prospects of companies like Parker seeking access to the market? Past examples are few and far between, for the simple reasons that most potential new issues that end up being pulled are scrapped long before they enter the public domain.

True, a crop of companies ditched their flotation plans in the wake of Black Monday. These include Sotheby's, the fine art auctioneer, as wall as London Forfaiting, a trade finance company – and Blazer, a clothier in the Next mould.

But the events of October 19 and its aftermath could reasonably be deemed ont of the ordinary, and a decision to postpone entirely understandable.

The market was not disgrun*tled when both Sotbeby's and* London Forfaiting went public in more settled conditions earlier this year, albeit on lower ratings than would have been sustainable pre-crash. Blazer, meanwhile, had abandoned its hankering for a listing and allowed itself to bought out by Storehouse.

Parker's decision more closely echoes that of Target Group, a life assurance and unit trust company. Back in 1986, it trumpeted its intention to seek a listing giving it a market value of £150m. In May of that year, it changed its mind in ths light of jittery stockmarket conditiuons; *in June last year, it was sold to TSB for* £220m.

The most arcane, and most extreme example of a company abandoning flotation at the last minnte, is that of Stanley Gibbons, the philatelist. Dealings in the shares had actually begun, in May 1984, before the Stock Exchange invoked a little known rule to call a halt to the whole *affair* after *just 16 minutes* of trading. The company eventually found its way onto the Over the *Counter* market in March last year.

## Clayform declines 4% holding in Stead

By Clay Harris

*Clayform* Properties, property development and investment group, has turned down an opportunity to buy 4 per cent of the voting shares of Stead & Simpson, the footwear and motor group for which it is bidding £89.5m.

*The block was offered to* Clayform at £14.25, compared with the £12 tt is offering. If it had paid the price, Clayform would have been obliged to offer the same terms to all holders of the voting shares.

The decision indicates its intention to wait until after Stead produces an assets revalnation and perhaps a profits forecast before deciding whether to raise its bid.

Clayform yesterday extended its bid until June 21, after receiving wbat Stead called an "exceptionally low" level of acceptances – 281 voting shares, or 0.02 per cent of the total – to add to the 29.99 per cent it already owned.

It has bought a further 2.6 per cent non-voting "A" shares to lift its directly-held stake of this class to 9.7 per cent. The voting shares closed unchanged at £14.10 as did the "A" shares, of which there are 35 times as many, at 129p. Clayform is offering 125p.

## Property profit boosts Mecca to 43% advance

BY CLARE PEARSON

Mecca Leisure Group reported pre-tax profits up 43 per cent to £6.69m against £4.67m for the six *months to the end of March,* taking into account a £3.49m property profit.

But Mecca stressed that operating profits of £5.51m (£5.59m) were also depressed by a "planned" loss of £2.1m arising from the acquisition of Ladbroke's *holiday centres* last December. This entailed the inclusion of three winter months, which are normally loss-making.

The property profit was mainly compensation for early surrender of a restaurant lease in the City.

Mecca also announced a £25m private placement of cumulative preference shares with Murray Johnstone. Mr Jeremy Long, finance director, said the Edinburgh fund management group, which also holds Mecca ordinary shares, had expressed a specific interest in such a placing.

The 10-year preference shares, which pay 8.18 per cent net annually, filled the gap in the medium-term area of Mecca's funding, he said. An issue of convertible preference shares, which would have paid a lower coupon, was ruled out on the grounds of dilution.

The preference shares will reduce gearing by 18 per cent to 30 per cent, which Mr Long said was the floor ratio with which he was happy. Next month, the company will seek permission from shareholders for a further £15m worth of preference shares, to be issued *if* other *investors* are interested.

Mecca raised £29m through a rights issue last December which contributed to the £55m cost of acquiring Ladbroke's holiday centres and Astey's restaurants as part of its policy of reducing *dependence on bingo* profits.

Mr Long also said yesterday that Mecca had made a £500,000 profit on its stake in Kennedy Brookes, the restaurant chain which was taken over by Trusthouse Forte this year. He declined to comment on other stakes the company held.

Turnover rose to £88m (£57m). In terms of trading profits, Entertainment and catering contributed £3.72m (£2.38m), social clubs £4.15m (£3.67m), UK Holidays a loss of £2.89m (£886,000 losses), and other activities £530,000 (£433,000).

Entertainment reaped the benefits of refurbishments carried out during the previons year, when five branches were closed. Social clubs, the revamped bingo halls, achieved a 0.5 per cent margin improvement. The catering results included first-time *contributions from* the Sweeney Todd's, Astey's and Paris Brioche restaurants, *while* research and development took £300,000.

Mecca's own Warner holiday centres enjoyed a 52 per cent increase in winter short break bookings. But Mecca has been charging low prices to generate initial interest in these holidays.

Excluding the Ladbroke loss, earnings per share were 20 per cent higher at 4.2p (3.5p). There is a 1.7p (1.5p) interim dividend.

● **comment**

Mecca Leisure's contorted efforts yesterday not to give the impression its profits were down, once property profits were taken out, proved rather self-defeating. It is obvious that caravan sites, an important component of the old Ladbroke holiday centre portfolio, are empty in the winter and losses would indeed have been about £1.5m worse if the sites had been bought in October. By focusing on these seasonal difficulties, Mecca only managed to distract attention from the creditable *36 per cent* growth in its own businesses. Reassuring for the shares, which are for the long-term investors who believe in the soundness of Mecca's acquisition policy and its extensive capital expenditure programme – expected to come to £38m this year. Excluding the property windfall, analysts expect *full-year* pre-tax profits of about £22m putting the shares on a prospective p/e of about 14.



## New products push Borland to $7.17m

BY VANESSA HOULDER

*THE SUCCESSFUL* introduction of new products helped Borland International, US software house, produce a 52 per cent increase in pre-tax profits to $7.17m ($3.94m) for the year to March 31, compared with $4.71m last year. Sales and royalty income for the year more than doubled from $29.2m to $76.5m.

Borland said it would no longer pay a dividend, in line with its fellow US high-tech companies.

Mr Philippe Kahn, president, said that the fourth quarter was exceptionally good. Profit before tax for that period was $2.1m, on sales and royalty income of $29.2m. That compares with a poor third quarter, when pre-tax profits nearly halved to $250,000, after a sharp increase in marketing costs.

Mr Kahn said that language products accounted for more than half of revenues last year but that products in the business sector could make up the majority of sales next year.

Borland said that existing products were maintaining their sales levels. In addition the company had successfully introduced a clutch of new products.

In its professional business series, Borland introduced Quattro, Sidekick Plus and Paradox 2.0. In its Turbo language range, Borland introduced Turbo Pascal 4.0, Turbo C and Turbo Basic.

The Paradox data management product acquired when the company bought Ansa Software in July had proved successful and was contributing some 20 per cent of revenues, said Mr Kahn.

Borland yesterday launched the English version of Sprint, a word-processing package. Last week the company acquired the rights to the spreadsheet technology of Surpass Software Systems.

By the end of the second fiscal quarter, the company should have introduced the full range of business products which it has been planning for the past year.

Earnings per share increased from 6.6 cents to 10.2 cents, a 55 per cent increase.

● **comment**

Borland is eyeing up the big league. Having expanded its software range over the past couple of years, it now hopes to reap the benefits. In particular, it has designs on the vast corporate market, which will bolster its traditional role as supplier of cheap and cheerful software to the computer enthusiast. Yet, although reviews and initial sales of new products have been superb, analysts are still in cautious mood. In the two years the company has been on the USM, the City has twice had to slash its forecasts, most recently for a dramatic overrun of marketing costs. So although sales are likely to surge ahead this year much depends on how well the company manages to contain its costs. There is scope, on some reckonings, for margins – now under 7 per cent – to rise to 10 per cent next year. Profit forecasts for this company are notoriously unreliable, but assuming it makes £13m this year, the shares, unchanged at 105p, are on a multiple of 13. Although there are good long-term growth prospects, there is little to go for in the short term.



## Public Works Loan Board rates

Effective June 8

| Years | Quota loans repaid by EIP† | Quota loans repaid At† | Quota loans repaid at maturity§ | Non-quota loans A* repaid by EIP† | Non-quota loans A* repaid At† | Non-quota loans A* repaid at maturity§ |
|---|---|---|---|---|---|---|
| 1 | | | 9⅛ | | | 9⅝ |
| Over 1 up to 2 | 9⅛ | 9⅛ | 9⅛ | 10⅛ | 10⅛ | 9⅞ |
| Over 2 up to 3 | 9⅛ | 9¼ | 9¼ | 10⅛ | 10⅛ | 10 |
| Over 3 up to 4 | 9¼ | 9¼ | 9⅜ | 10⅛ | 10¼ | 10⅛ |
| Over 4 up to 5 | 9¼ | 9¼ | 9⅜ | 10¼ | 10¼ | 10¼ |
| Over 5 up to 6 | 9½ | 9½ | 9⅜ | 9¾ | 9¾ | 9⅞ |
| Over 6 up to 7 | 9⅝ | 9⅝ | 9½ | 9⅞ | 9⅞ | 10 |
| Over 7 up to 8 | 9⅝ | 9¾ | 9⅝ | 9⅞ | 9⅞ | 10⅛ |
| Over 8 up to 9 | 9¾ | 9¾ | 9⅝ | 9⅞ | 9⅞ | 10⅛ |
| Over 9 up to 10 | 9¾ | 9⅝ | 9⅝ | 9⅞ | 10 | 10⅛ |
| Over 10 up to 15 | 9⅝ | 9⅝ | 9½ | 10⅛ | 10⅛ | 10 |
| Over 15 up to 25 | 9½ | 9½ | 9⅜ | 10 | 10 | 9⅞ |
| Over 25 | 9⅜ | 9⅜ | 9⅜ | 9⅞ | 9⅞ | 9⅞ |

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. ††Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

# BUSINESS LAW

# Disclosure of share interests: a tale of contrasting practices

**By Geoffrey Lewis**

THE RIGHT of a UK public company to know who are the real owners of its shares – similar rights exist in the US and in Australia – clashes with the habits and secrecy obligations of the European mainland. Continental banks find it difficult and sometimes impossible to comply with requests for such information.

The reasons for requiring disclosure of beneficial interests which led to the 1948 codification in the UK, were first stated in 1945 by the Cohen Committee report on Company Law. These were that foreigners might acquire control of essential British industries without anyone being aware of it; and that unscrupulous directors could more easily make illegitimate use of inside information under the cloak of nominee holdings.

The White Paper on Company Law Reform of 1973 goes one step further: "a company fearing a bid ought to have a right to know the real identity of the owners of its shares." Such a view chimes naturally with the Takeover Code, and in particular Rule 8, requiring a general offer to be made when someone, or some group acting in concert, controls 30 per cent of the votes of a company.

On the strength of section 212 of the Companies Act 1985, any UK public company can require anyone (whether a shareholder or not) whom it has reason to believe, either currently or within the last three years, to have been interested in any of its shares, to give information about its own or any other person's interest in those shares. The sanctions for failure to comply with such a requirement include criminal penalties. The company can also apply to the court for voting, transfer and other restrictions on the shares. In brief the shares can be made worthless.

The Australian National Companies and Securities Legislation has provisions to very similar effect, and these have been adopted in all Australian States and Territories. In the US, the Securities Exchange Act of 1934 which established the SEC requires each beneficial owner of more than 10 per cent of a company's registered equity securities to file a report with the SEC setting out his equity position, and supplementary reports giving information about any changes.

On the continent of Europe, however, the supposed virtue of requiring disclosure of the true ownership of shares is little understood. Fewer companies there are quoted on stock exchanges or are liable to change of control through open market deals. Firm links often exist between a company and a single financial institution, committed to its long term plans. Moreover, the common use of bearer shares makes the ascertainment of true ownership impossible. Continental banks find it difficult to understand how the requirements of an English Act of Parliament can override their sacred obligations of secrecy to their customers, and those whose portfolios they manage. Much of the money is entrusted with these banks just because the true owners wish to remain anonymous.

Recently decided cases can only have increased the anxiety of overseas banks and their customers. In *Re F.H. Lloyd Holdings*,[1] decided in 1985, Mr Justice Nourse said that the clear purpose of the legislation "is to give a public company, and ultimately the public at large, a *prima facie* unqualified right to know who are the real owners of its voting shares." The judge's reference to the public at large was in point because the register of share interests which each public company must now maintain, and in which it must inscribe the information obtained under section 212, is open not only to shareholders but also to any member of the public.

There is no doubt about the judges' enthusiasm for the policy behind the legislation. In the 1987 case of *Geers Gross plc*[2] the judge said the legislation was designed "to give a company the power to unmask the true beneficial ownership of shares", and when the same case went to appeal, Lord Justice Nourse spoke of a lever "with which to prise open the casket in which the relevant facts about the shares are hidden."

In the case of *F.H. Lloyd*, shares in an English public company were registered in the name of an English nominee for the Trade Development Bank Luxembourg SA, which in turn held them for an undisclosed client. The company served notice under the predecessor of section 212 on the Luxembourg Bank requiring it to say whether it was interested in the shares in question and, if it was not the sole beneficial owner, to state the name and address and nature of the interest of any other person interested. The Luxembourg Bank refused, stating that it would be a criminal offence in Luxembourg to do so without the consent of its clients. It argued that because it was neither incorporated nor had a place of business in the United Kingdom, it was outside the scope of the Companies Act, as English legislation does not generally have extra-territorial effect.

The judge rejected these arguments. He said that the constitution of an English company amounted to a contract governed by English law between the company and its shareholders. The shareholder was the English nominee and the Luxembourg Bank was beneficiary under a trust of which the trustee was the English nominee. Accordingly the Luxembourg Bank's beneficial interest was situated in England. "Upon what principle of statutory interpretation," asked the judge rhetorically, "is it to be said that the application (of the section) was not intended, merely because the person who is required to give the information is a true foreigner?" UK legislation, said the judge, will usually apply to a foreigner's rights under an English contract. He therefore made an order restricting the shares.

The later case of *Geers Gross* also involved an overseas bank, this time a Swiss one. The company had made an agreement with Eurocom SA for the issue of shares to Eurocom, under which Eurocom agreed that it would not directly or indirectly acquire more than 20 per cent of the share capital of Geers Gross. The company, which was apprehensive that the agreement was being broken, served notices under section 212 as to the beneficial ownership of 3 per cent of its shares held by SM Nominees Limited (SMN), a subsidiary of Samuel Montagu. SMN held the shares as nominee for a Swiss bank, of whom Geers Gross made a similar inquiry. The Swiss bank refused to disclose the beneficial ownership of the shares on the ground that the information was confidential under Swiss banking law. The company obtained a court order restricting transfers of the shares in question.

SMN and the bank applied to have the restriction lifted so that some of the shares which had been sold could be transferred. This was resisted by Geers Gross on the ground that the true ownership of the shares had never been discovered. SMN and the Swiss bank responded that that information would become irrelevant when the shares were sold and transferred.

Mr Justice Vinelott refused to lift the restriction and his refusal was upheld by the Court of Appeal. The judges all took the view that in deciding whether or not to approve the sale, the Court could take into account the previous failure to disclose information about ownership, and that in the circumstances the failure to give this information was a sufficient objection to the lifting of the restriction. Accordingly the shares remained frozen.

The severity of this decision is illustrated by the fact that some of the shares which were made subject to restriction had been sold and placed by brokers before the section 212 notice was served. Those shares were therefore acquired by innocent third parties who intended to register them in their own names and could not do so because of the restrictions later imposed. The judges took this into account, but considered that "the balance of convenience" outweighed the prejudice to the innocent placees.

The prevailing view of the courts must be taken to be that the need to get at the true ownership of shares, admittedly vital where a bid is involved, but arguably less so in other circumstances, is paramount, and overrides not only a banker's obligation of confidence, but also the interests of innocent third parties. The dilemma of overseas banks is particularly acute, for disclosure of the information requested would expose them to criminal penalties in certain jurisdictions, and always to a breach of the fundamental obligation of secrecy which is owed to their customers.

[1] *Re F.H. Lloyd Holdings plc [1985] BCLC 293*
[2] *Re Geers Gross plc [1987] 1 WLR 837; [1987] 1 WLR 1649*

*The author is a partner with a firm of City solicitors.*

## UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY–Indices of industrial production, manufacturing output (1980=100); engineering orders (1980=100); retail sales volume (1980=100); retail sales value (1980=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

| | Indl. prod. | Mfg. output | Eng. order | Retail vol. | Retail value* | Unem-ployed | Vacs. |
|---|---|---|---|---|---|---|---|
| **1986** | | | | | | | |
| 4th qtr. | 110.5 | 106.9 | 94 | 126.5 | 194.3 | 3,141 | 213.0 |
| **1987** | | | | | | | |
| 1st qtr. | 111.3 | 106.4 | 93 | 125.4 | 156.9 | 3,073 | 210.4 |
| 2nd qtr | 112.2 | 108.5 | 94 | 128.3 | 165.9 | 2,965 | 224.1 |
| 3rd qtr | 114.0 | 111.4 | 92 | 131.8 | 171.8 | 2,827 | 241.3 |
| 4th qtr | 114.8 | 112.4 | 92 | 133.4 | 210.8 | 2,658 | 262.1 |
| July | 113.3 | 110.4 | 94 | 131.8 | 173.6 | 2,876 | 236.2 |
| Aug. | 115.0 | 112.4 | 95 | 132.1 | 171.0 | 2,829 | 236.9 |
| Sept. | 113.7 | 111.3 | 94 | 132.0 | 170.9 | 2,773 | 246.6 |
| Oct. | 114.6 | 111.9 | 92 | 133.0 | 180.8 | 2,712 | 261.4 |
| Nov. | 114.8 | 112.5 | 92 | 133.6 | 198.3 | 2,649 | 268.2 |
| Dec. | 115.1 | 113.7 | 92 | 133.5 | 244.9 | 2,614 | 256.6 |
| **1988** | | | | | | | |
| 1st qtr. | 113.9 | 112.2 | 94 | 135.2 | 173.2 | 2,534 | 247.6 |
| Jan. | 115.0 | 112.8 | 93 | 134.9 | 176.0 | 2,565 | 249.5 |
| Feb. | 112.6 | 110.9 | 94 | 135.3 | 168.5 | 2,533 | 247.9 |
| Mar. | 114.0 | 111.9 | 94 | 135.5 | 175.1 | 2,505 | 245.5 |
| Apr. | | | | 136.4 | 180.4 | 2,455 | 253.7 |

OUTPUT–By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1980=100); housing starts (000s, monthly average).

| | Cnsmer. goods | Invest. goods | Intmd. goods | Eng. output | Metal mnfg. | Textile etc. | Housg. starts* |
|---|---|---|---|---|---|---|---|
| **1986** | | | | | | | |
| 4th qtr. | 108.5 | 101.5 | 116.7 | 104.2 | 114.4 | 104.5 | 15.5 |
| **1987** | | | | | | | |
| 1st qtr. | 107.9 | 100.7 | 117.9 | 103.1 | 114.5 | 103.9 | 17.4 |
| 2nd qtr | 110.4 | 101.7 | 118.0 | 104.4 | 120.0 | 104.7 | 19.6 |
| 3rd qtr | 113.0 | 105.1 | 118.6 | 107.9 | 120.9 | 106.7 | 20.3 |
| 4th qtr | 113.5 | 107.3 | 118.6 | 109.7 | 121.9 | 105.5 | 17.2 |
| July | 112.6 | 102.8 | 118.6 | 106.0 | 121.0 | 107.0 | 20.9 |
| Aug. | 113.7 | 106.9 | 119.4 | 110.0 | 123.0 | 108.0 | 17.9 |
| Sept. | 112.6 | 105.8 | 117.7 | 109.0 | 119.0 | 105.0 | 22.1 |
| Oct. | 113.2 | 105.5 | 119.1 | 109.0 | 122.0 | 107.0 | 18.0 |
| Nov. | 113.5 | 107.0 | 116.9 | 109.0 | 129.0 | 105.0 | 19.1 |
| Dec. | 113.6 | 109.4 | 118.8 | 111.0 | 115.0 | 105.0 | 14.6 |
| **1988** | | | | | | | |
| 1st qtr. | 113.8 | 104.0 | 118.3 | 107.4 | 126.2 | 103.8 | 18.6 |
| Jan. | 114.7 | 104.4 | 120.0 | 109.0 | 137.0 | 106.0 | 19.1 |
| Feb. | 112.8 | 103.6 | 116.5 | 106.0 | 124.0 | 104.0 | 19.3 |
| Mar. | 113.9 | 104.1 | 118.4 | 108.0 | 118.0 | 101.0 | 17.0 |

EXTERNAL TRADE–Indices of export and import volume (1980=100); visible balance; current balance (£m); oil balance (£m); terms of trade (1980=100); official reserves.

| | Export volume | Import volume | Visible balance | Current balance | Oil balance | Terms trade | Reserve US$bn |
|---|---|---|---|---|---|---|---|
| **1986** | | | | | | | |
| 4th qtr. | 129.9 | 142.0 | -2,558 | -556 | +822 | 100.9 | 21.92 |
| **1987** | | | | | | | |
| 1st qtr. | 129.5 | 133.5 | -1,211 | +799 | +1,159 | 100.4 | 27.04 |
| 2nd qtr | 126.6 | 141.1 | -2,317 | -309 | +1,016 | 102.4 | 34.26 |
| 3rd qtr | 130.6 | 151.1 | -3,109 | -896 | +936 | 103.7 | 34.81 |
| 4th qtr | 134.8 | 152.5 | -2,888 | -1,282 | +1,073 | 103.9 | 44.33 |
| July | 130.1 | 148.8 | -991 | -253 | +287 | 103.3 | 34.91 |
| Aug. | 127.6 | 154.8 | -1,424 | -687 | +359 | 103.8 | 34.36 |
| Sept. | 134.1 | 149.7 | -686 | +43 | +310 | 103.9 | 34.81 |
| Oct. | 131.8 | 148.4 | -822 | -353 | +394 | 103.7 | 41.40 |
| Nov. | 135.4 | 154.3 | -1,056 | -488 | +332 | 103.7 | 41.28 |
| Dec. | 137.1 | 154.9 | -1,010 | -441 | +346 | 104.2 | 44.33 |
| **1988** | | | | | | | |
| 1st qtr. | 126.0 | 148.3 | -3,709 | -1,900 | +881 | 104.7 | 44.64 |
| Jan. | 126.4 | 151.5 | -1,472 | -872 | +356 | 104.3 | 43.09 |
| Feb. | 123.6 | 147.4 | -1,352 | -752 | +311 | 104.6 | 42.93 |
| Mar. | 128.1 | 146.0 | -885 | -285 | +213 | 105.2 | 44.64 |
| Apr. | 134.2 | 155.8 | -1125 | -525 | +309 | 106.6 | 47.86 |

FINANCIAL–Money supply M0, M1 and M3 (three months' growth at annual rate); bank sterling lending to private sector; building societies' net inflow; consumer credit†; all seasonally adjusted. Clearing Bank base rate (end period).

| | M0 % | M1 % | M3 % | Bank lending £m | BS inflow £m | Cnsmer. credit† £m | Base rate % |
|---|---|---|---|---|---|---|---|
| **1986** | | | | | | | |
| 4th qtr. | 7.6 | 15.3 | 14.1 | +10,516 | 2,814 | +501 | 11.00 |
| **1987** | | | | | | | |
| 1st qtr. | 1.2 | 20.6 | 20.2 | +6,723 | 1,465 | +977 | 10.00 |
| 2nd qtr | 3.3 | 29.7 | 29.3 | +8,554 | 1,304 | +1,068 | 9.00 |
| 3rd qtr | 8.1 | 26.2 | 21.7 | +11,506 | 1,211 | +874 | 10.00 |
| 4th qtr | 7.2 | 23.3 | 24.1 | +11,185 | 3,007 | +948 | 8.50 |
| July | 7.7 | 34.5 | 24.2 | +4,531 | 347 | +277 | 9.00 |
| Aug. | 7.1 | 22.5 | 21.0 | +2,651 | 667 | +250 | 10.00 |
| Sept. | 9.5 | 19.5 | 21.4 | +4,324 | 197 | +347 | 10.00 |
| Oct. | 6.9 | 26.7 | 23.8 | +2,922 | 812 | +340 | 9.50 |
| Nov. | 7.1 | 22.2 | 21.8 | +3,276 | 1,136 | +357 | 9.00 |
| Dec. | 7.6 | 11.6 | 21.9 | +4,987 | 1,069 | +249 | 8.50 |
| **1988** | | | | | | | |
| 1st qtr. | 2.4 | 9.1 | 11.2 | +13,028 | 3,051 | +1,035 | 8.50 |
| Jan. | 2.7 | 1.0 | 7.6 | +5,588 | 890 | +288 | 8.50 |
| Feb. | 1.9 | 2.9 | 9.9 | +2,549 | 1,102 | +321 | 9.00 |
| Mar. | 1.8 | 24.9 | 17.7 | +4,891 | 1,059 | +426 | 8.50 |
| Apr. | 5.6 | | 22.1 | +5,827 | 1,576 | +276 | 8.00 |
| May | | | | | | | 7.50 |

INFLATION–Indices of earnings (Jan 1980=100); basic materials and fuels; wholesale prices of manufactured products (1980=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 1931=100); trade weighted value of sterling (1975=100)

| | Earn-ings* | Basic matls.* | Whsale. mnfg.* | RPI* | Foods | Reuters' cmdty. | Sterling |
|---|---|---|---|---|---|---|---|
| **1987** | | | | | | | |
| 1st qtr. | 192.0 | 129.8 | 149.3 | 100.3 | 100.6 | 1,589 | 69.9 |
| 2nd qtr | 198.0 | 130.7 | 150.9 | 101.9 | 101.5 | 1,598 | 72.5 |
| 3rd qtr | 202.0 | 101.0 | 151.9 | 102.1 | 100.5 | 1,647 | 72.7 |
| 4th qtr | 206.9 | 132.4 | 153.2 | 103.2 | 101.7 | 1,692 | 74.9 |
| Aug. | 201.6 | 131.8 | 151.5 | 102.1 | 100.7 | 1,655 | 72.2 |
| Sept. | 201.4 | 131.1 | 152.0 | 102.4 | 100.4 | 1,652 | 73.1 |
| Oct. | 203.4 | 130.8 | 152.6 | 102.9 | 101.1 | 1,662 | 73.6 |
| Nov | 207.3 | 131.4 | 153.2 | 103.4 | 101.6 | 1,693 | 75.4 |
| Dec. | 210.3 | 135.1 | 153.7 | 103.3 | 102.4 | 1,707 | 75.8 |
| **1988** | | | | | | | |
| 1st qtr. | 209.9 | 130.7 | 155.2 | 103.7 | 103.5 | 1,747 | 76.3 |
| Jan. | 206.9 | 125.9 | 154.6 | 103.3 | 102.9 | 1,753 | 74.9 |
| Feb. | 204.7 | 124.0 | 155.2 | 103.7 | 103.6 | 1,765 | 74.2 |
| Mar. | 213.1 | 127.2 | 155.9 | 104.1 | 103.9 | 1,734 | 76.3 |
| Apr | | 132.6 | 156.6 | 105.3 | 104.4 | 1,736 | 78.2 |
| May | | | | | | 1,778 | 78.4 |

*Not seasonally adjusted
†Net changes in amounts outstanding, excluding bank loans.

# COMMODITIES AND AGRICULTURE

## IPE crude futures in $1m relaunch

BY STEVEN BUTLER

THE LONDON-BASED International Petrolenm Exchange yesterday announced the launch of a revised crude-oil futures contract on June 23 and a $1m promotional programme to build volume and liquidity in the trading instrument.

Mr Derek Whiting, the exchange's chairman, said the potential for the new contract was enormous.

It filled an industry need for an oil futures contract in time zones outside the US, where the New York Mercantile Exchange has successfully establish contracts based on West Texas Intermediate crude.

Yesterday, reaction among oil-traders was cautiously positive. Traders indicated they would probably participate in trading the contact should sufficient liquidity be established.

The IPE's attempt to launch a similar contract in late-1985 did not get off the ground.

The centrepiece of efforts to gain market acceptance for the revamped contract is the issue of 35 trading permits for the crude contracts to non-members of the exchange, with an incentive scheme to encourage higher volume of trading.

However, Mr Whiting said he expected opposition to the permit scheme from some of the 35 members of the exchange whom he called rearguard. He said the scheme would benefit all members if the exchange contribnted to a snccessful launch of the product.

Proposals for the permits must be approved by members at a meeting on June 21. The most-recently sold IPE membership fetched £60,000. Members are concerned about non-members gaining access to exchange facilities.

A total of 70 permits is to issued, half given free to current exchange members, the rest to be sold for £1,000 each.

Mr Whiting said the actual cost of trading on the exchange would be higher because of costs associated with requirements under the Financial Services Act, to join the Association of Futures Brokers and Dealers.

A permit would authorise holders to place one trader on the floor to deal only in crude oil. The permits, which can be sold, would be valid for one year initially. They could be converted into a licence to deal in other IPE contracts should minimum volume figures be achieved. Five free licences would be issued to permit-holders who achieved highest volumes.

Also included in the incentive scheme is a payment to members of $2 for a round turn for each lot of crude contracts, to a maximum of 200,000 lots, and a holiday from Exchange and Clearing House fees until the end of October.

The IPE also introduced two changes in the specifications for 1,000-barrel contracts, which are based on an index of Brent Oil prices compiled from specialist trade publications.

Tha current final-settlement price is based on the average of the past five days' indices. This will be changed to the index as of the last trading day.

The cessation-of-trading date would also be advanced to the 10th calendar day of the month. This is because liquidity in the underlying 15-day Brent market tends to decline toward the 15th of the month, as delivery dates are specified on the forward market and traders close positions to avoid commitments to deliver or take delivery on physical oil.

These unusual and expensive promotional efforts are aimed at quickly building liquidity to a point where the contracts could safely he used as a hedging device without fears that positions could not be squared.

Mr Peter Wildblood, IPE chief executive, blamed failure of the previous contract on two factors:

- The newness of the concept of cash settlement based on the index, because there is no readily-available source of crude oil that could match the contract specifications. The contracts for 15-day Brent oil are written in 600,000-barrel shipments that are far too big for many traders.
- The oil-price collapse and associated problems in the Brent forward market that followed soon after the launch.

The exchange's only successful contract to date is in gasoil futures. However, hig oil companies say that while they trade freely in the instrument they are still cautious not to huild an excessively large position that could not be easily closed out.

Mr Wildblood said he was continuing talks with Singapore Monetary Exchange that could lead to estahlishment of a contract in Singapore mutually offset against the IPE contract.

Nymex had earlier quit talks with the IPE about trading a WTI contract in London.

## Banana producers fear loss of EC share

By Canute James in Kingston

CARIBBEAN banana prodncers, who snpply abont two thirds of Britain's demand, are more than slightly worried about retaining their market share after European Community members harmonise their trade policies in 1992.

The producers – the Windward Islands of St Lucia, Dominica, St Vincent and Grenada, along with Jamaica and Belize – have enjoyed preferential access to the British market for the past three decades. But the region, which last year supplied about 240,000 tonnes of the fruit to Britain, is worried that the loss of this special treatment with the opening np of the community market to other imports in 1992, will damage the industry, rednce foreign earnings and affect thousands of small farmers, who are the main producers.

"Caribbean banana exporting countries recognise the importance of preferential entry," said Dr Percival Broderick, Jamaica's Agriculture Minister. He said the producers in the region had started lobbying to protect their access to the British market after 1992.

"Early indications are that our claim is appreciated and understood and should be successful," he added.

Mr Cyril Matthew, managing director of the Windward Island's Banana Growers Association, said the Association had started work to safeguard its preferential access to Britain, although " we do not know yet what will be the effect of the changes in Europe in 1992."

The hopes for protection of the region's access are not supported by latent concern expressed by Dr Broderick, who is worried about the loss of market share to Central American producers, who have frequently argued against the protection which Caribbean fruit enjoys on the British market.

"Our most recent information is that dollar area fruit has been given guaranteed access of approximately 8 per cent of the United Kingdom market – some 30,000 tonnes in 1989," the minister said. "This is an important change to traditional trading arrangements, particularly as the main exporters to the United Kingdom anticipated an oversupply by 1990 if optimistic growth forecasts are assumed.

"Let us not fool ourselves. We can expect continued pressure from dollar countries to increase their present guaranteed minimum of 30,000 tonnes."

## Cominco takes zinc price lead with rise to $1,200 a tonne

BY KENNETH GOODING, MINING CORRESPONDENT

COMINCO, THE Canadian natural resources group, yesterday increased its European zinc price from $1,140 to $1,200 a tonne, the highest level since the dollar European Producer Price (EPP) was introduced in 1976.

In doing so, it leap-frogged two other hig zinc producers, Electrolytic Zinc of Australasia, and Noranda, of Canada.

They raised their prices to $1,175 a tonne two weeks ago after most other zinc-producers had risen to $1,100 a tonne in the previous few days.

At the start of this year the EPP was $860 a tonne. Since then demand, particularly from the galvanised-steel industry, has continued to outpace supply and stocks have fallen substantially.

London Metal Exchange zinc stocks have fallen by 7,300 tonnes since the start of this year, to 37,500 tonnes at the end of last week. Traders say about 12,000 tonnes of the total is low-grade material.

Mr Neil Buxton, an analyst with the London metals research unit of Shearson Lehman Hutton, said other zinc-producers were bound to follow Cominco quickly and some might go higher than $1,200.

He suggested the Cominco rise was conservative when measured against current LME prices.

Zinc's cost is likely to be driven even higher by production problems in Peru, caused by lack of spare-parts and by guerrilla attacks. These have caused the Casapalca and the Yanricocha mines to declare force majeure. Output at Cajamarquilla mine has fallen substantially.

There is also the threat of a strike at the huge Curragh Resources lead-zinc mine in the Yukon.

Mr Buxton said: "Under these circumstances zinc prices can go on to make new highs and an LME cash price as high as $1,500 cannot be ruled out."

## Inco becomes associate LME member

BY KENNETH GOODING

IN A move seen by some observers to have considerable significance, Inco, the Canadian group which is the world's largest nickel producer, has joined the London Metal Exchange as an associate trade member.

Traders said the decision of such a major producer to throw its hat into the ring, backing the LME and the LME pricing of nickel must considerably hearten the Exchange's board.

The board has been under considerahle pressnre recently because most of the metals traded on the Exchange – including nickel – are in short supply and prices have been very volatile.

The LME must now be hoping that those metal producers who in the past have tended to turn their backs on the Exchange because they would prefer to fix their own prices will follow Inco's lead.

Another big producer, Chile Copper, the London trading arm of the state-owned Chilean industry, became an associate member of the LME two weeks ago. Inco's move comes at a time when the nickel price is on a roller-coaster. Last week the LME cash price dropped hy $500 a tonne to $15,000, partly because Inco settled a new contract wltb its unions without a strike. (As part of that deal the bonus paid to Canadian mine employees was changed so that it now relates to Inco's average realised price for nickel rather than being based on LME values).

However, this week nickel has recovered strongly and yesterday was up another $550 a tonne for cash metal to $16,400.

## Energy Secretary highlights US gas hopes

BY NANCY DUNNE IN WASHINGTON

THE US can cut its oil-import dependence by 1m barrels a day by increasing domestic use of natural gas, Mr John Herrington, US Energy Secretary, says.

In a speech to the American Gas Association this week he cited new estimates that, at current consumption levels, the US had, in the "lower 48" states alone, a 35-year supply of natural gas retrievable at costs of less than $3 per 1,000 cn ft. Past forecasts put the supply of cheap gas at much lower levels.

The Energy Department was being diligent in removing regulatory blocks to raise output, he said.

It cnt ita regulatory administration from almost 2,000 lawyers and regulators to a workforce of about 200. It lowered rents for oil and gas leases on federal lands and put forward a five-year plan for exploration offshore.

He went on to boast of a more politically sensitive initiative, opposed by environmentalists.

He said: "We are pushing hard to open up exploration of the coastal strip of the Arctic National Wildlife Refuge. We believe that it has hnge gas reserves, possibly larger than Prudhoe Bay [the massive Alaskan oilfield]."

He called on Congress to continne the process of decontrolling natural gas production, begun in 1978, and predicted it would repeal the windfall-profits tax this year. The tax cost $100m to administer and raised no revenne, he said.

Mr Jim Wright, the House Speaker, said he supported the repeal of the windfall-profits tax contained in trade legislation vetoed by the President.

However, he said the measure could only be passed if attached to another bill, and passage of another trade bill this year would be difficult.

## EC approves German farm aid

BY TIM DICKSON IN BRUSSELS

THE European Commission last night approved the West German Government's plans to make direct payments to its farmers totalling DM1.1bn (£350m) a year from the start of next year to the end of 1992.

The new scheme, already agreed in principle at the Brussels Summit in mid-1987, is designed as compensation for the one per cent dismantlement of positive MCAs which takes place in 1988-89 (a move which will effectively reduce the EC's support prices by an equivalent percentage in the national money of West Germany and the Netherlands).

The issue has generated considerable debate inside the European Commission and according to some observers could further complicate the already difficult negotiations on 1988-89 farm prices which will start in earnest when EC Farm Ministers meet in Luxembourg next week.

Although there is no formal link, the proposal for implementing West German payments (which has yet to be approved by member states) could reinforce demands from those countries (notably France) which, against the Commission's will, are calling for devaluations of their green currencies, and nence price increases in local currencies for their farmers.

Another key question has been the level of West German compensation, at a time when there is persistent concern about the dangers of growing national support to offset the effects of Common Agricultural Policy reform and some suggestions in Brussels that the Germans have been over-paying their farmers under similar arrangements in the past.

West Germany was first allowed to make direct compensation payments to farmers through a 5 per cent VAT refund when the Community agreed to its revision of the MCA system – and dismantling of positive MCAs – in 1984. Two per cent of this is due to cease at the end of this year hut the June 1987 summit agreed that the final 1 per cent MCA dismantlement this marketing year "would be compensated by a German national aid equivalent to 2 VAT points . . . but without such aid being linked to production."

Under the rules drawn up by Mr Frans Andriessen, the aid will not be determined on the basis of a holding's output quantities or turnover, but on the basis of utilised agricultural area. The Commission's aim is to try to prevent the aid benefiting part time farmers already enjoying adequate incomes, and thus acting as an incentive to increase production.

- The West German Agriculture Minister Mr Ignaz Kiechle is expected to present a compromise paper on 1988-89 prices when the Council meets on Monday afternoon. This follows a series of bilateral "confessionals" with his counterparts from other member states in Brussels this week, which were described by one senior Commission official yesterday as "surprisingly encouraging".

**THE EUROPEAN Commission has decided to suspend until June 10 advance crushing subsidies for rapeseed and sunflowerseed for the next six months, Commission officials said.**

**Confirming an earlier report from the UK Intervention Board, one official said the decision had been taken because of an "unstable price situation" – a reference to the steep rise in world market prices for oils and meals over the past week.**

## Record Australian farm exports forecast

BY CHRIS SHERWELL IN SYDNEY

AUSTRALIA'S AGRICULTURAL exports are expected to reach a record A$15.4bn (£6.75bn) in the year to next June but aggregate volumes will actually fall slightly, the government Bureau of Agricultural and Resource Economics forecasts.

The bureau, in its Rural Outlook study published this week, says stocks of wool and wheat, of which Australia is a leading world exporter, are minimal and 1988-89 exports will need to come from current output.

"Moderately higher export prices are forecast to more than offset the slight decline in aggregate volume, and the value of rural exports is forecast to grow by nearly A$1bn, or 7 per cent, to A$15.4bn," the bureau says.

This compares with an estimated 19 per cent growth in the 1987-88 year just ending.

The bureau forecasts sales of wool, Australia's biggest export, will remain about steady at A$6.1bn, based on an unchanged average indicator price of 1,005 cents a kilogram. It foresees a 7 per cent contraction in wheat exports, to A$1.7bn.

The biggest contributions to rural-export growth are expected to come from sugar, forecast to rise in value by nearly 60 per cent, to A$1.07bn – almost two-thirds the valne of wheat exports. Rice and pea exports are expected to rise by more than half, cotton exports by a third.

The bureau forecasts a 7 per cent rise in gross value of overall farm ontput in 1988-89, to A$21.2bn. Outpnt's net valne, after a 6 per cent rise in costs, to A$16.9bn, is expected to grow 7.5 per cent, to A$4.3bn.

This, in terms of real purchasing power for farmers, represents little change in income but follows a 65 per cent surge in the net valne of farm output in the year just ending.

This is the result of the sharp improvement in commodity prices experienced by farmers. Economists say the rise has been a big contributor to the dramatic expansion in domestic demand displayed hy the Australian economy over recent months.

The bureau warns of its forecasts that potentially conflicting developments have created unusual uncertainty about the outlook for Australian commodities.

It says that in oilseeds, grains, wheat, sugar and cotton world stocks have been cut to a point where markets are very sensitive to adverse weather.

Offsetting this for Australia is the recent strong appreciation of the local currency, particularly against the US dollar. The bureau argues that on balance the stronger currency will not offset most price gains forecast in world markets.

# WORLD COMMODITIES PRICES

## LONDON MARKETS

PRECIOUS METAL prices closed sharply lower on the London Bullion market as sentiment was depressed by a fall in Chicago soyabean futures following rain in some US growing regions, dealers said. Platinum suffered the most, with the added news that some South African mineworkers had returned to work. The metal closed at $589 an ounce, a fall of $26, while gold shed $3.25 to $456.25 an ounce. Silver lost 15 cents to close at 718 cents an ounce, but dealers said sentiment about silver was still generally constructive and a partial retracement was to be expected after recent sharp gains. Meanwhile the London Soyameal Futures Market saw panic selling and profit-taking in the afternoon following Chicago. The market fell further than the £5 a tonne limit, but later partially recovered, leaving the October contract exactly £5 a tonne down at £168.50. Cocoa prices were sharply lower, reflecting generally firm sterling rates against the dollar.

SPOT MARKETS

| Crude oil (per barrel FOB) | | + or - |
|---|---|---|
| Dubai | $14.35-4.45u | +0.14 |
| Brent Blend | $16.25-6.35 | +0.10 |
| W.T.I. (1 pm est) | $17.33-7.38u | -0.05 |

| Oil products (NWE prompt delivery per tonne CIF) | | + or - |
|---|---|---|
| Premium Gasoline | $185-187 | |
| Gas Oil (Soviet) | $138-140 | -1 |
| Heavy Fuel Oil | $75-76 | |
| Naphtha | $159-161 | -1 |
| Petroleum Argus Estimates | | |

| Other | | + or - |
|---|---|---|
| Gold (per troy oz)♣ | $456.25 | -3.25 |
| Silver (per troy oz)♣ | 718c | -15 |
| Platinum (per troy oz) | $589.0 | -26.1 |
| Palladium (per troy oz) | $130.0 | -2.9 |
| Aluminium (free market) | $3745 | -110 |
| Copper (US Producer) | 115¼-118c | |
| Lead (US Producer) | 35.0c | -0.5 |
| Nickel (free market) | 710c | +15 |
| Tin (European free market) | £3930.0 | -2.5 |
| Tin (Kuala Lumpur market) | 18.21r | +0.03 |
| Tin (New York) | 331.5c | -1.0 |
| Zinc (Euro. Prod. Price) | $1157.5 | |
| Zinc (US Prime Western) | 52.125c | |
| Cattle (live weight)† | 115.63p | +2.67* |
| Sheep (dead weight)† | 237.13p | +9.89* |
| Pigs (live weight)† | 71.58p | +0.74* |
| London daily sugar (raw) | $260.0y | -2.5 |
| London daily sugar (white) | $267.0y | -2.5 |
| Tate and Lyle export price | £250.5 | -2.5 |
| Barley (English feed) | £102.5z | |
| Maize (US No. 3 yellow) | £136.5 | |
| Wheat (US Dark Northern) | £109.50y | -1.25 |
| Rubber (spot)♥ | 64.0p | |
| Rubber (July)♥ | 69.5p | |
| Rubber (Aug)♥ | 69.5p | |
| Rubber (KL RSS No 1 July) | 353.0m | +1.5 |
| Coconut oil (Philippines)§ | $580x | -5 |
| Palm Oil (Malaysian)§ | $467.5z | |
| Copra (Philippines)§ | $365 | -10 |
| Soyabeans (US) | £230.0 | -9.5 |
| Cotton "A" Index | 68.0c | +0.1 |
| Woolteps (64s Super) | 550p | |

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. u-July. x-Jul/Aug. s-May/Jun. z-Aug. y-Jun/Jul. †Meat Commission average fatstock prices. * change from a week ago. ♣London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jly | 917 | 924 | 923 | 913 |
| Sep | 936 | 945 | 944 | 933 |
| Dec | 967 | 972 | 972 | 962 |
| Mar | 992 | 996 | 996 | 989 |
| May | 1012 | 1013 | 1015 | 1010 |
| Jul | 1032 | 1033 | 1031 | 1024 |
| Sep | 1050 | 1051 | 1050 | 1043 |

Turnover: 0186 (3077) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jun 7: 1213.63 (1219.82); 10 day average for Jun 8: 1241.70 (1246.84).

COFFEE £/tonne

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jly | 1139 | 1155 | 1154 | 1137 |
| Sep | 1149 | 1164 | 1164 | 1145 |
| Nov | 1159 | 1172 | 1173 | 1155 |
| Jan | 1169 | 1180 | 1183 | 1166 |
| Mar | 1180 | 1185 | 1190 | 1180 |
| May | 1190 | 1205 | 1195 | |

Turnover: 3036 (4285) lots of 5 tonnes
ICO indicator prices (US cents per pound) for June 8: Comp. daily 1979 122.82 (121.17); 15 day average 117.79 (117.40).

SUGAR $ per tonne

| Raw | Close | Previous | High/Low | |
|---|---|---|---|---|
| Aug | 224.20 | 231.00 | 230.20 | 224.00 |
| Oct | 218.40 | 225.00 | 226.20 | 219.00 |
| Dec | 222.80 | 228.00 | 225.00 | |
| Mar | 217.60 | 224.20 | 223.80 | 218.00 |
| May | 217.60 | 223.20 | 223.00 | |
| Aug | 217.60 | 224.60 | | |
| Oct | 216.00 | 223.60 | 223.00 | |

| White | Close | Previous | High/Low | |
|---|---|---|---|---|
| Aug | 259.00 | 262.60 | 263.00 | 258.00 |
| Oct | 251.00 | 256.00 | 256.00 | 251.00 |
| Dec | 251.00 | 256.00 | 255.00 | 251.00 |
| Mar | 251.00 | 256.40 | 255.50 | 251.00 |
| May | 255.00 | 259.00 | 259.00 | 257.00 |
| Aug | 257.00 | 260.00 | | |
| Oct | 258.00 | 262.00 | 258.00 | 257.00 |

Turnover: Raw 5856 (2427) lots of 50 tonnes. White 1499 (1300).
Paris- White (FFr per tonne): Aug 1501, Oct 1470, Dec 1470, Mar 1480, May 1485, Aug 1495

GAS OIL $/tonne

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jun | 139.50 | 141.25 | 141.75 | 139.00 |
| Jul | 140.25 | 139.25 | 142.00 | 139.25 |
| Aug | 141.00 | 140.00 | 141.00 | 139.25 |
| Sep | 142.25 | 140.25 | 142.25 | 140.50 |
| Oct | 143.00 | 142.75 | 143.00 | 141.25 |
| Nov | 143.50 | 145.00 | 143.50 | [illegible] |
| Dec | 144.75 | 147.00 | 144.25 | 143.75 |
| Jan | 146.75 | 147.00 | 145.00 | |

Turnover: 8649 (5714) lots of 100 tonnes

GRAINS £/tonne

| Wheat | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jly | 107.00 | 108.45 | 108.00 | 107.00 |
| Sep | 104.85 | 106.00 | 105.10 | 104.85 |
| Nov | 107.00 | 108.00 | 107.75 | 107.00 |
| Jan | 109.15 | 110.15 | 109.60 | 109.15 |
| Mar | 111.20 | 112.20 | 111.60 | 111.20 |
| May | 113.45 | 114.65 | 114.35 | 113.45 |

| Barley | Close | Previous | High/Low | |
|---|---|---|---|---|
| Sep | 101.00 | 101.50 | 101.50 | 101.00 |
| Nov | 103.05 | 103.75 | 103.75 | 103.00 |
| Jan | 105.40 | 106.20 | 105.60 | 105.40 |
| Mar | 107.75 | 108.35 | 108.15 | 107.75 |
| May | 110.10 | 110.75 | 110.50 | 110.10 |

Turnover: Wheat 270 (432), Barley 62 (232) lots of 100 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

| | Close | Previous | High/Low | AM Official | Kerb close | Open interest |
|---|---|---|---|---|---|---|
| Aluminium, 99.7% purity ($ per tonne) | | | | | | Ring turnover 0 tonne |
| Cash | 3780-800 | 3785-815 | | 3735-55 | | |
| 3 months | 2735-55 | 2730-50 | | 2710-30 | 2730-50 | 5,750 lots |
| Aluminium, 99.5% purity (£ per tonne) | | | | | | Ring turnover 24,800 tonne |
| Cash | 2052-7 | 2095-105 | | 2050-60 | | |
| 3 months | 1494-5.5 | 1492-4 | 1498/1485 | 1479-80 | 1492-3 | 58,658 lots |
| Copper, Grade A (£ per tonne) | | | | | | Ring turnover 24,050 tonne |
| Cash | 1490-5 | 1498-503 | 1482/1480 | 1481-2 | | |
| 3 months | 1278-9 | 1283-4 | 1280/1272 | 1272-3 | 1273-4 | 70,823 lots |
| Copper, Standard (£ per tonne) | | | | | | Ring turnover 0 tonne |
| Cash | 1280-305 | 1318-30 | | 1275-300 | | |
| 3 months | 1225-45 | 1235-55 | | 1230-40 | | 47 lots |
| Silver (US cents/fine ounce) | | | | | | Ring turnover 0 ozs |
| Cash | 700-2 | 730-3 | | 713-6 | | |
| 3 months | 713-5 | 743-6 | | 725-8 | 715-20 | 709 lots |
| Lead (£ per tonne) | | | | | | Ring turnover 18,400 tonne |
| Cash | 378-81 | 372-4 | 387/378 | 376-8 | | |
| 3 months | 353-4 | 352-3 | 356/351 | 350-2 | 353-4 | 11,393 lots |
| Nickel ($ per tonne) | | | | | | Ring turnover 1,320 tonne |
| Cash | 16350-450 | 15700-800 | 16600/16300 | 16500-700 | | |
| 3 months | 14600-700 | 14450-500 | 15050/14600 | 14650-900 | 14400-500 | 6,115 lots |
| Zinc (£ per tonne) | | | | | | Ring turnover 20,700 tonne |
| Cash | 777-82 | 770-5 | 782/760 | 782-5 | | |
| 3 months | 705-7 | 700-2 | 712/699 | 710-1 | 708-5 | 20,873 lots |

POTATOES £/tonne

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Nov | 92.0 | 92.5 | 91.5 | 91.0 |
| Feb | 100.0 | 100.0 | 98.5 | |
| Apr | 138.8 | 139.0 | 141.0 | 137.0 |
| May | 148.0 | 148.0 | 150.0 | 148.0 |

Turnover: 399 (219) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Aug | 168.00 | 173.50 | 171.00 | 166.00 |
| Oct | 168.50 | 173.50 | 173.00 | 164.00 |
| Dec | 170.50 | 176.50 | 175.00 | 167.00 |

Turnover: 361 (465) lots of 100 tonnes.

FREIGHT FUTURES $10/index point

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jly | 1287.0 | 1240.0 | 1287.0 | 1250.0 |
| Oct | 1394.0 | 1340.0 | 1395.0 | 1360.0 |
| Jan | 1392.0 | 1384.0 | 1395.0 | 1365.0 |
| Apr | 1457.5 | 1395.0 | 1457.5 | 1400.0 |
| BFI | 1287.0 | 1250.0 | | |

Turnover: 637 (391)

WOOL

Inquiry for new business has failed to pick up after what was for most Bradford mills a full week's bank holiday shutdown. Uncertainties abound, not least in respect of currency and interest rates, and in the primary markets themselves. In the major market of Australia, end-of-season irregularities - some qualities appreciating by 300 while others declined by 50 - are clouding what had appeared to be a halting of the slide from previous record levels. Slightly increased involvement by the Australian Wool Corporation confirmed its determination to use flexible intervention to prevent any substantial fall. In such a climate, buyers are entering the market only on the back of orders in hand, in no mood to become involved in dangerous speculation.

LONDON BULLION MARKET

| Gold (fine oz) | $ price | £ equivalent |
|---|---|---|
| Close | 456-456½ | 252-252½ |
| Opening | 458¼-458¾ | 252-252½ |
| Morning fix | 458.75 | 251.784 |
| Afternoon fix | 457.85 | 251.359 |
| Day's high | 459¼-459¾ | |
| Day's low | 457¼-457¾ | |

| Coins | $ price | £ equivalent |
|---|---|---|
| US Eagle | 472-477 | 260-263 |
| Maple leaf | 472-477 | 260-263 |
| Britannia | 472-477 | 260-263 |
| Krugerrand | 457-460 | 251½-253½ |
| 1/2 Krug | 239½-246½ | 131½-135½ |
| 1/4 Krug | 120-125 | 66-70½ |
| Angel | 471-476 | 259½-262 |
| 1/10 Angel | 48-53 | 26½-29½ |
| New Sov. | 108-109 | 59½-60½ |
| Old Sov. | 108-109½ | 59½-60½ |
| Noble Plat | 605.5-607.0 | 330.5-334.65 |

| Silver fix | p/fine oz | US cts equiv |
|---|---|---|
| Spot | 394.60 | 719.10 |
| 3 months | 403.45 | 733.55 |
| 6 months | 412.20 | 747.90 |
| 12 months | 430.95 | 778.65 |

LONDON METAL EXCHANGE TRADED OPTIONS

| Aluminium (99.7%) | Calls | | Puts | |
|---|---|---|---|---|
| Strike price $ tonne | July | Sept | July | Sept |
| 2500 | 420 | 328 | 33 | 135 |
| 2600 | 273 | 223 | 81 | 228 |
| 2700 | 182 | 147 | 172 | 348 |
| Aluminium (99.5%) | Calls | | Puts | |
| 1400 | 415 | 384 | 34 | 157 |
| 1500 | 269 | 228 | 87 | 255 |
| 1600 | 159 | 163 | 176 | 378 |
| Copper (Grade A) | Calls | | Puts | |
| 2100 | 420 | 272 | 12 | 95 |
| 2200 | 294 | 180 | 34 | 100 |
| 2300 | 100 | 126 | 79 | 245 |

## US MARKETS

PRECIOUS METALS weakened in late trading, extending earlier slight losses as a combination of a firmer U.S. dollar, local and trade selling elected commission house sell stops, as the markets penetrated nearby support levels, reports Drexel Burnham Lambert. Copper fell following a failure to penetrate previous day's highs, with mixed selling including light trade selling, touching of stops in moderate volume. Energy futures reacted to mildly bearish A.P.I. Statistics by weakening on trada pressure following earlier trade buying. Coffee fell on speculative long-liquidation, cocoa broke a long-term support area and fell as commission houses liquidated longs in the near July contract and following trade pressure. Sugar eased on a combination of trade and speculative selling as the market reacted to the easier soybeans by breaking support levels. Reports of unexpectedly good rain in Iowa and forecasts for more rain today prompted profittaking in the soybeans and corn futures. Soymeal and oil were under pressure, but commercial buying was noted in both. Wheat continued to ease with hedge selling, but support still was apparent in spring wheat and oats markets with continued lack of moisture.

### New York

GOLD 100 troy oz.; $/troy oz.

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jun | 456.1 | 460.0 | 459.7 | 456.3 |
| Jul | 457.5 | 461.6 | 460.0 | 460.0 |
| Aug | 460.7 | 464.8 | 464.4 | 460.6 |
| Oct | 465.8 | 470.0 | 469.5 | 465.5 |
| Dec | 471.1 | 475.4 | 475.0 | 470.5 |
| Feb | 476.4 | 480.8 | 479.8 | 478.0 |
| Apr | 481.8 | 486.3 | 484.0 | 484.0 |
| Jun | 457.4 | 492.0 | 490.5 | 490.5 |
| Aug | 493.3 | 498.0 | 0 | 0 |

PLATINUM 50 troy oz; $/troy oz.

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 576.5 | 598.0 | 594.0 | 574.1 |
| Oct | 582.0 | 604.8 | 600.0 | 579.8 |
| Jan | 590.0 | 611.6 | 606.0 | 556.6 |
| Apr | 601.0 | 018.8 | 614.5 | 598.0 |

SILVER 5,000 troy oz; cents/troy oz.

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jun | 709.0 | 723.7 | 716.0 | 709.0 |
| Jul | 713.0 | 728.0 | 728.5 | 711.0 |
| Aug | 717.9 | 732.9 | 0 | 0 |
| Sep | 722.8 | 737.8 | 738.0 | 720.5 |
| Dec | 737.7 | 753.2 | 753.0 | 736.0 |
| Jan | 742.6 | 758.2 | 0 | 0 |
| Mar | 758.4 | 769.2 | 771.0 | 754.0 |
| May | 764.4 | 780.4 | 770.0 | 768.0 |
| Jul | 775.8 | 792.0 | 792.0 | 780.0 |
| Sep | 786.3 | 803.7 | 0 | 0 |

COPPER 25,000 lbs; cents/lbs

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jun | 110.00 | 111.50 | 110.00 | 109.00 |
| Jul | 105.15 | 108.50 | 107.00 | 104.50 |
| Aug | 100.55 | 101.80 | 0 | 0 |
| Sep | 96.00 | 97.20 | 97.70 | 96.00 |
| Dec | 88.40 | 89.70 | 89.80 | 88.30 |
| Jan | 86.40 | 87.80 | 0 | 0 |
| Mar | 82.50 | 83.80 | 83.70 | 82.30 |
| May | 80.10 | 81.50 | 0 | 0 |
| Jul | 78.90 | 80.20 | 0 | 0 |
| Sep | 17.90 | 79.20 | 0 | 0 |

CRUDE OIL (Light) 42,000 US galls $/barrel

| | Latest | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 17.27 | 17.37 | 17.36 | 17.26 |
| Aug | 17.38 | 17.45 | 17.48 | 17.34 |
| Sep | 17.43 | 17.47 | 17.49 | 17.37 |
| Nov | 17.45 | 17.47 | 17.49 | 17.40 |
| Dec | 17.49 | 17.46 | 17.48 | 17.39 |
| Feb | 17.39 | 17.40 | 0 | 0 |
| Mar | 17.30 | 17.37 | 17.30 | 17.30 |
| Apr | 17.26 | 17.34 | 17.30 | 17.28 |

HEATING OIL 42,000 US galls, cents/US galls

| | Latest | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 4580 | 4623 | 4615 | 4556 |
| Aug | 4620 | 4655 | 4650 | 4590 |
| Sep | 4695 | 4722 | 4715 | 4670 |
| Oct | 4765 | 4792 | 4785 | 4740 |
| Nov | 4855 | 4862 | 4863 | 4836 |
| Jan | 4940 | 4952 | 4940 | 4935 |
| Feb | 4925 | 4985 | 4925 | 4923 |
| Mar | 4725 | 4760 | 4730 | 4720 |

COCOA 10 tonnes;$/tonnes

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 1549 | 1577 | 1573 | 1547 |
| Sep | 1579 | 1603 | 1601 | 1576 |
| Dec | 1611 | 1635 | 1638 | 1610 |
| Mar | 1649 | 1673 | 1658 | 1648 |
| May | 1673 | 1697 | 0 | 0 |
| Jul | 1696 | 1723 | 1710 | 1710 |
| Sep | 1728 | 1746 | 1730 | 1730 |

COFFEE "C" 37,500lbs; cents/lbs

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 137.79 | 138.32 | 138.10 | 137.20 |
| Sep | 138.74 | 139.20 | 139.15 | 138.20 |
| Dec | 139.81 | 140.59 | 140.10 | 139.55 |
| Mar | 139.85 | 140.66 | 140.11 | 139.50 |
| May | 140.38 | 140.90 | 140.50 | 140.50 |
| Jul | 141.50 | 141.35 | 0 | 0 |
| Sep | 141.50 | 141.35 | 0 | 0 |

SUGAR WORLD "11" 112,000 lbs; cents/lbs

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 9.85 | 10.16 | 10.00 | 9.80 |
| Oct | 9.76 | 10.04 | 9.95 | 9.71 |
| Jan | 9.70 | 10.04 | 9.95 | 9.95 |
| Mar | 9.70 | 9.95 | 9.88 | 9.68 |
| May | 9.71 | 9.96 | 9.88 | 9.67 |
| Jul | 9.74 | 9.98 | 9.95 | 9.72 |
| Oct | 9.72 | 9.96 | 9.90 | 9.72 |

COTTON 50,000; cents/lbs

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 65.80 | 67.80 | 67.00 | 65.80 |
| Oct | 62.82 | 64.75 | 64.20 | 62.75 |
| Dec | 61.46 | 63.48 | 62.95 | 61.48 |
| Mar | 62.07 | 64.02 | 63.50 | 62.05 |
| May | 62.10 | 63.90 | 63.50 | 62.10 |
| Jul | 62.15 | 63.95 | 0 | 0 |
| Oct | 60.15 | 61.95 | 0 | 0 |

ORANGE JUICE 15,000 lbs; cents/lbs

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 173.25 | 174.50 | 174.10 | 172.00 |
| Sep | 167.15 | 168.45 | 168.30 | 166.80 |
| Nov | 158.10 | 158.15 | 158.75 | 157.95 |
| Jan | 154.00 | 154.50 | 154.60 | 153.50 |
| Mar | 153.10 | 154.05 | 153.35 | 153.05 |
| May | 152.65 | 153.90 | 153.00 | 153.00 |
| Jul | 152.65 | 153.90 | 0 | 0 |
| Sep | 152.65 | 153.60 | 0 | 0 |
| Nov | 153.15 | 153.60 | 0 | 0 |

INDICES

REUTERS (Base: September 18 1931 = 100)

| June 7 | June 6 | mnth ago | yr ago |
|---|---|---|---|
| 1906.0 | 1888.5 | 1729.6 | 1607.6 |

DOW JONES (Base: December 31 1974 = 100)

| | | | | |
|---|---|---|---|---|
| Spot | 140.30 | 139.82 | 129.17 | 129.26 |
| Futures | 142.60 | 142.44 | 132.61 | 126.98 |

### Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 860/4 | 882/0 | 880/0 | 858/0 |
| Aug | 865/4 | 887/0 | 885/0 | 863/0 |
| Sep | 861/4 | 886/4 | 882/0 | 861/0 |
| Nov | 862/0 | 890/4 | 886/0 | 861/0 |
| Jan | 866/4 | 896/4 | 891/0 | 866/0 |
| Mar | 872/4 | 901/2 | 895/0 | 872/0 |
| May | 866/0 | 898/4 | 863/0 | 864/0 |
| Jul | 855/0 | 875/4 | 873/0 | 855/0 |
| Aug | 840/0 | 864/0 | 845/0 | 835/0 |
| Nov | 708/0 | 716/0 | 722/0 | 707/0 |

SOYABEAN OIL 60,000 lbs; cents/lb

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 25.23 | 25.96 | 25.79 | 25.15 |
| Aug | 25.46 | 26.17 | 26.00 | 25.45 |
| Sep | 25.69 | 26.35 | 26.25 | 25.68 |
| Oct | 25.87 | 26.52 | 26.45 | 25.85 |
| Dec | 25.21 | 26.90 | 26.60 | 26.20 |
| Jan | 26.20 | 26.95 | 26.85 | 26.20 |
| Mar | 26.30 | 27.20 | 27.00 | 26.30 |
| May | 26.65 | 27.65 | 27.20 | 26.65 |
| Jul | 26.50 | 27.50 | 27.20 | 26.50 |
| Aug | 26.60 | 27.57 | 26.60 | 26.60 |

SOYABEAN MEAL 100 tons; $/ton

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 273.5 | 280.5 | 280.5 | 273.0 |
| Aug | 271.2 | 278.2 | 278.5 | 271.8 |
| Sep | 268.5 | 276.0 | 275.5 | 267.5 |
| Oct | 263.7 | 274.5 | 273.5 | 265.5 |
| Dec | 265.2 | 272.5 | 271.5 | 265.0 |
| Jan | 263.5 | 270.0 | 270.0 | 263.5 |
| Mar | 260.2 | 267.0 | 267.0 | 260.0 |
| May | 260.5 | 266.0 | 266.0 | 258.0 |
| Jul | 260.0 | 265.0 | 264.0 | 260.0 |
| Aug | 257.0 | 265.0 | 263.5 | 258.0 |

MAIZE 5,000 bu min; cents/56lb bushel

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 251/0 | 257/2 | 256/0 | 246/4 |
| Sep | 260/4 | 266/0 | 265/0 | 256/2 |
| Dec | 272/0 | 276/6 | 276/0 | 267/0 |
| Mar | 279/2 | 283/6 | 282/0 | 276/0 |
| May | 283/4 | 288/0 | 285/4 | 279/2 |
| Jul | 284/0 | 289/0 | 287/0 | 281/4 |
| Sep | 266/0 | 267/0 | 0 | 0 |
| Dec | 251/0 | 255/0 | 250/0 | 255/0 |

WHEAT 5,000 bu min; cents/60lb-bushel

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 369/6 | 376/0 | 378/0 | 368/4 |
| Sep | 379/0 | 384/4 | 386/0 | 377/4 |
| Dec | 388/4 | 395/4 | 395/0 | 387/0 |
| Mar | 391/0 | 399/0 | 398/0 | 390/0 |
| May | 376/0 | 383/0 | 382/0 | 375/0 |
| Jul | 342/4 | 350/0 | 347/0 | 340/0 |

LIVE CATTLE 40,000 lbs; cents/lbs

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jun | 72.75 | 73.10 | 73.25 | 72.25 |
| Aug | 67.12 | 68.17 | 68.25 | 66.72 |
| Oct | 67.30 | 67.87 | 67.90 | 66.82 |
| Dec | 69.07 | 69.65 | 69.58 | 68.56 |
| Feb | 69.95 | 70.57 | 70.45 | 69.32 |
| Apr | 71.80 | 72.25 | 72.25 | 71.25 |
| Jun | 72.17 | 72.79 | 72.25 | 71.25 |

LIVE HOGS 30,000 lb; cents/lbs

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jun | 51.42 | 52.92 | 52.85 | 51.42 |
| Jul | 51.35 | 52.85 | 52.70 | 07.35 |
| Aug | 50.20 | 51.70 | 01.00 | 50.20 |
| Oct | 44.42 | 46.82 | 45.10 | 44.32 |
| Dec | 40.67 | 47.77 | 47.55 | 46.32 |
| Feb | 48.82 | 49.10 | 49.00 | 48.10 |
| Apr | 45.85 | 46.50 | 46.50 | 45.90 |
| Jun | 48.20 | 49.20 | 48.80 | 47.85 |

# CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

# Sterling renews its advance

STERLING MOVED back under the spotlight yesterday, as the foreign exchange market again pondered the direction of UK interest rates, and the relative attractions of the pound, as a high yielding currency.

This trend illustrates the present quandary of the Bank of England over exchange rate policy and interest rates. The pound remains volatile and highly sensitive to movements in rates, but is also susceptible to fears about rising UK inflation and a widening current account payments deficit.

Sterling climbed to DM3.1250 from DM3.1075, supported by the recent two-stage rise of 1 p.c. in UK bank base rates.

It was also helped by the forecast from the London office of Goldman Sachs, in its monthly review, that the pound could soon reach DM3.20. This repeated an earlier prediction from the US investment house.

The pound was around 1 cent higher against the dollar for much of the day, but finished below its best level, rising 60 points to $1.8180.

Sterling also improved to FFr10.5450 from FFr10.4950, but was unchanged at Y227.75, and fell to SFr2.5875 from SFr2.5900.

On Bank of England figures the pound's exchange rate index rose 0.2 to 76.7.

Another unit to be regarded in the same way as sterling is the Australian dollar, which rose to 80.55 US cents from 79.65 cents.

After a period of strong demand at the end of last month, the Australian dollar has tended to weaken, but it rose quite sharply yesterday, as currencies supported by high interest rates returned to the fore.

The US dollar was relatively quiet and steady. It was left on the sidelines, as the market adjusted positions ahead of next Tuesday's US trade figures for April, and attention switched back to sterling.

The relative attractions of the dollar and pound in the short term are likely to be decided by the US trade figures. A trade deficit above $13bn may encourage speculative money back into the pound, but any figure near to the March deficit of $9.75bn is likely to encourage demand for the dollar, at the expense of sterling.

The dollar rose to DM1.7185 from DM1.7150, but fell to Y125.25 from Y125.70. It also declined to SFr1.4230 from SFr1.4290, but improved to FFr5.8000 from FFr5.7925.

According to the Bank of England, the dollar's index fell to 93.4 from 93.6.

The D-Mark had a weaker tone overall, led by renewed demand for sterling. Investors switched back into the pound, with dealers in Frankfurt commenting that sterling's recovery had been only a matter of time, after the recent rise in London interest rates.

West Germany's trade figures for March will be published tomorrow or on Monday. The current account surplus for the month is expected to rise to DM7.5bn, from DM5.2bn in February, but the figures are likely to be completely overshadowed by the US trade figures on Tuesday.

The French franc was steady ahead of the final round in the elections for the French National Assembly next Sunday.

The market is expecting a left of centre government to support Mr Francois Mitterrand, the socialist President.

The lack of pressure on the franc indicates that the socialist majority may now be smaller than forecast, before the first round of elections last Sunday, and that there is less threat of a strong left wing bias in the next parliament.

### EMS EUROPEAN CURRENCY UNIT RATES

| | Ecu central rates | Currency amounts against Ecu June 8 | % change from central rate | % change adjusted for divergence | Divergence limit % |
|---|---|---|---|---|---|
| Belgian Franc | 42.4582 | 43.4232 | +2.27 | +1.00 | ±1.5344 |
| Danish Kroner | 7.85212 | 7.90200 | +0.64 | -0.63 | ±1.5404 |
| German D-Mark | 2.05853 | 2.07758 | +0.93 | -0.34 | ±1.0981 |
| French Franc | 6.90403 | 7.01465 | +1.60 | +0.33 | ±1.3674 |
| Dutch Guilder | 2.31943 | 2.33168 | +0.53 | -0.74 | ±1.5012 |
| Irish Punt | 0.768411 | 0.776306 | +1.03 | -0.24 | ±1.6684 |
| Italian Lira | 1483.58 | 1542.51 | +3.97 | +3.25 | ±4.0752 |

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

### £ IN NEW YORK

| June 8 | Latest | Previous Close |
|---|---|---|
| £ Spot | 1.8200-1.8210 | 1.8135-1.8140 |
| 1 month | 0.09-0.08pm | 0.11-0.09pm |
| 3 months | 0.36-0.33pm | 0.43-0.40pm |
| 12 months | 1.44-1.34pm | 2.00-1.85pm |

Forward premiums and discounts apply to the US dollar

### POUND SPOT- FORWARD AGAINST THE POUND

| June 8 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| US | 1.8150 - 1.8230 | 1.8173 - 1.8185 | 0.11-0.08cpm | 0.63 | 0.37-0.32pm | 0.76 |
| Canada | 2.2175 - 2.2320 | 2.2215 - 2.2225 | 0.17-0.27cdis | -1.19 | 0.49-0.61dis | -0.99 |
| Netherlands | 3.49¾ - 3.51¼ | 3.50¼ - 3.51¼ | 1½-1cpm | 4.28 | 4½-3½pm | 4.36 |
| Belgium | 65.05 - 65.45 | 65.20 - 65.30 | 20-2cpm | 2.02 | 50-30pm | 2.45 |
| Denmark | 11.85¼ - 11.89¾ | 11.87 - 11.88 | ⅛pm-1¼oredis | -0.44 | 1ore-¼dis | 0.04 |
| Ireland | 1.1635 - 1.1695 | 1.1660 - 1.1670 | 0.05-0.10cdis | -0.77 | 0.25-0.35dis | -1.03 |

STERLING INDEX

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

| | | |
|---|---|---|
| Kuwait | 0.50140 - 0.50190 | 0.27550 - 0.27560 |
| Luxembourg | 65.20 - 65.30 | 35.85 - 35.95 |
| Malaysia | 4.6860 - 4.6970 | 2.5750 - 2.5780 |
| Mexico | 4092.75 - 4096.85 | 2250.00 - 2260.00 |
| N. Zealand | 2.6035 - 2.6085 | 1.4295 - 1.4320 |
| Saudi Ar. | 6.8255 - 6.8315 | 3.7505 - 3.7515 |
| Singapore | 3.6695 - 3.6750 | 2.0155 - 2.0173 |
| S. Af (Cm) | 4.0630 - 4.0740 | 2.2335 - 2.2358 |
| S. Af (Fn) | 5.3540 - 5.4750 | 2.9410 - 3.0075 |
| Taiwan | 51.80 - 52.10 | 28.55 - 28.65 |
| U.A.E. | 6.6835 - 6.6895 | 3.6725 - 3.6735 |

*Selling rate

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

| | | | | | | |
|---|---|---|---|---|---|---|
| F Fr. | 0.948 | 1.723 | 2.962 | 215.9 | 10. | |
| S Fr. | 0.386 | 0.702 | 1.207 | 88.02 | 4.077 | 1 |
| H Fl. | 0.285 | 0.518 | 0.891 | 64.94 | 3.007 | |
| Lira | 0.431 | 0.784 | 1.348 | 98.23 | 4.549 | |
| C $ | 0.450 | 0.818 | 1.406 | 102.5 | 4.748 | |
| B Fr. | 1.533 | 2.786 | 4.789 | 349.1 | 16.17 | |

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

## FINANCIAL FUTURES

# Firmer tone on lower cash rates

THE POUND'S continued improvement helped to push up three-month sterling futures from Tuesday's close in the Liffe market yesterday, although values finished below the day's highs.

Short term investors were active buyers, as the pound's attraction was enhanced by two half point increases in base rates this month and a reluctance to buy dollars ahead of next week's release of US trade figures for April.

However the speed of sterling's improvement took many people by surprise, driving cash rates down to levels consistent with current base rates of 8½ p.c. One trader suggested that volume levels were likely to fall today and tomorrow, as more and more investors elected to move to the sidelines.

Long gilt futures followed a more restrained path, finishing the day with small losses. There was concern about how long the pound's recovery could be sustained, and this, as well as the recent volatility in UK interest rates, encouraged dealers to err on the side of caution.

Consequently the September price slipped to 96-09 from an opening level of 96-16 and Tuesday's close of 96-14. The lack of any clear trend was reflected in volume figures, with onlyaround 12,000 lots traded.

US Treasury bonds registered a modest improvement. An end to the dry weather in parts of the US gave rise to suggestions that the receot rise in soybean and grain futures was unlikely to continue. Trading volume was light, as investors awaited the release of May's producer price index on Friday and next week's trade figures.

LIFFE LONG GILT FUTURES OPTIONS

| Strike Price | Calls-settlements Sep | Calls-settlements Dec | Puts-settlements Sep | Puts-settlements Dec |
|---|---|---|---|---|
| 90 | 623 | 638 | 5 | 12 |
| 92 | 428 | 455 | 10 | 29 |
| 94 | 242 | 322 | 24 | 60 |
| 96 | 119 | 209 | 101 | 147 |
| 98 | 34 | 116 | 216 | 254 |
| 100 | 11 | 43 | 357 | 417 |
| 102 | 5 | 21 | 551 | 559 |

Estimated volume total, Calls 621 Puts 972
Previous day's open int. Calls 17572 Puts 23645

LIFFE US TREASURY BOND FUTURES OPTIONS

| Strike Price | Calls-settlements Sep | Calls-settlements Dec | Puts-settlements Sep | Puts-settlements Dec |
|---|---|---|---|---|
| 80 | 724 | 634 | 12 | 46 |
| 82 | 534 | 503 | 22 | 115 |
| 84 | 355 | 348 | 43 | 160 |
| 86 | 226 | 244 | 114 | 256 |
| 88 | 123 | 155 | 211 | 403 |
| 90 | 44 | 115 | 332 | 527 |
| 92 | 20 | 50 | 508 | 662 |

Estimated volume total, Calls 25 Puts 10
Previous day's open int. Calls 487 Puts 709

LIFFE FT-SE INDEX FUTURES OPTIONS

| Strike Price | Calls-settlements Jun | Calls-settlements JUL | Puts-settlements Jun | Puts-settlements JUL |
|---|---|---|---|---|
| 16500 | 1661 | 1801 | 1 | 26 |
| 17000 | 1170 | 1349 | 10 | 73 |
| 17500 | 717 | 945 | 57 | 170 |
| 18000 | 358 | 624 | 195 | 339 |
| 18500 | 137 | 366 | 477 | 592 |
| 19000 | 39 | 199 | 879 | 924 |
| 19500 | 0 | 98 | 1348 | 1323 |

Estimated volume total, Calls 0 Puts 2
Previous day's open int. Calls 27 Puts 98

LIFFE £/$ OPTIONS

LIFFE EURODOLLAR OPTIONS

LIFFE SHORT STERLING

PHILADELPHIA SE £/$ OPTIONS

LONDON SE £/$ OPTIONS

LONDON (LIFFE)

CHICAGO

CURRENCY FUTURES

## EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS: 25,073

A=Ask B=Bid C=Call P=Put

## BASE LENDING RATES

## MONEY MARKETS

# London rates easier

INTEREST RATES were mostly lower in London yesterday, following a further improvement by sterling. With the pound trading over DM3.12, prospects for another rise in rates receded.

The key three-month interbank rate fell to 8⅝-8½ p.c. from 8¾-8⅝ p.c. on Tuesday, while the 12-month rate slipped to 9⅜-9¼ p.c. from 9$\frac{9}{16}$-9$\frac{7}{16}$ p.c.

The Bank of England forecast a surplus of around £250m with factors affecting the market including, bills maturing in official hands and repayment of any late assistance together with a take up of Treasury bills draining £43m and a rise in the note circulation taking away a further £95m. These were more than offset by Exchequer transactions which added £250m, and banks' balances brought forward £145m above target.

UK clearing bank base lending rate 8½ per cent from June 6

The forecast was later revised to a flat position and the Bank gave no assistance in the morning or afternoon.

Consequently traders found little difficulty in acquiring cheap funds. Overnight money opened at 7½ p.c. and fell away to a low of 2 p.c. before finishing bid at about 5 p.c.

In Frankfurt call money continued Tuesday's sharper trend, with little prospect of any official assistance until the next sale and repurchase tender, due to be announced on Monday.

Commercial banks are keen to hang on to their reserves to meet a major round of corporate tax payments next week. Call money was quoted at 3.45 p.c. against an average rate of 3.40 p.c. on Tuesday. While minimum reserve levels are currently above the expected end of month requirement, the amount fell to DM56.6bn on Monday - the latest figures released - down from DM57.0bn at the end of last week.

Figures for Tuesday and yesterday are expected to show a significant decline, after payment for the latest Treasury bill auction.

Options ahead of next week's auction for adding liquidity appear to be limited. Treasury deposits at the Bundesbank are relatively low at the moment, which may force the authorities to inject funds through currency swaps.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

# FT UNIT TRUST INFORMATION SERVICE

## AUTHORISED UNIT TRUSTS

| | | | | |
|---|---|---|---|---|
| **International Trusts** | | | | |
| Amer Spec Sits | 58 6 | 62.4 | -0.3 | 1.70 |
| European Growth | 17 4 | 18.5 | -0.1 | 1.35 |
| International | 89.5 | 95.2 | +0.4 | 1 04 |
| Japan | 141.3 | 150.1 | .. | 0.01 |
| Pacific | 221 1 | 235.5 | +0.2 | 0.20 |
| Secs of America | 177.9 | 189 5xd | -0 4 | 0 91 |
| W'wide Asset Val | 26 2 | 27.9 | +0 1 | 1.00 |
| **Specialist Trusts** | | | | |
| Asset Value | 314 5 | 333 4xd | -0.3 | 2.99 |
| Comm & Gilt | 40 4 | 42.8 | -0.1 | 5 02 |
| Smaller Co's | 165.7 | 175.6 | -0.3 | 2.09 |
| 2nd Smaller Co's | 188.4 | 199.7 | +0.5 | 1.84 |
| Recovery | 97 5 | 103.3xd | -0.1 | 3 02 |
| Met Min & C'dty | 106.5 | 113 4xd | 40.4 | 1.18 |
| O'seas Earnings | 203 0 | 215.2xd | -0.5 | 3.25 |
| Technology | 83 6 | 89.0 | +0.1 | 1.63 |
| UK Special Sits | 253.1 | 268.3 | -0.5 | 2.58 |

**Bishopsgate Progressive Mgmt. Co**
15 St James' Place, London SW1A 1NW 01-493 8111

| | | | | |
|---|---|---|---|---|
| Progressive Inc | £15.04 | 15 87 | - | 1.36 |
| Progressive Acc | £21.11 | 22.28 | - | 1.36 |
| International Inc | £15.07 | 15 91 | +0.29 | 1.77 |
| International Acc | £18.69 | 19 73 | +0.35 | 1.77 |
| Cap & Foreign Inc | 177.3 | 187.2 | - | 0.97 |
| Cap & Foreign Acc | 197 6 | 208.6 | - | 0.97 |
| Special Sits Inc | 158.8 | 168.0 | - | 2.44 |
| Special Sits Acc | 158.8 | 168.0 | - | 2.44 |

**Brewin Dolphin Unit Tst Mngrs Ltd**
5 Giltspur St, London EC1A 9DE 01-248 4400

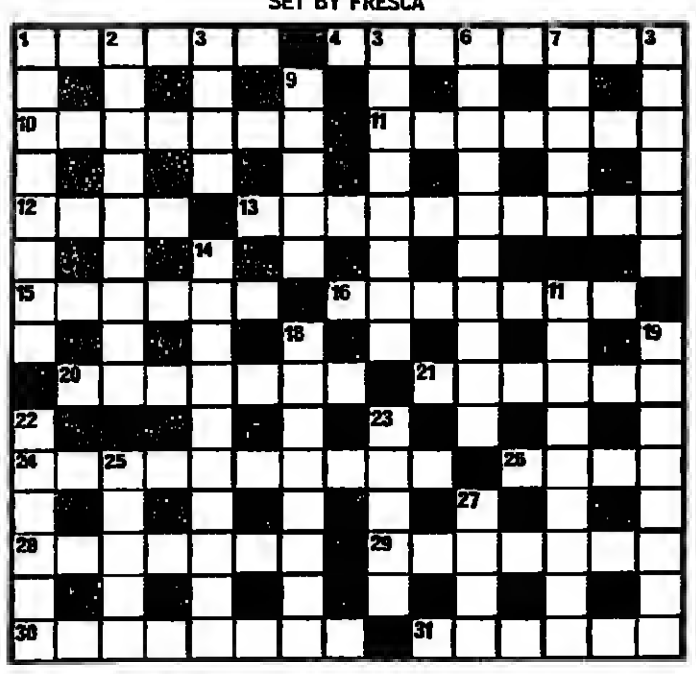
| | | | | |
|---|---|---|---|---|
| Brewin Capital | 183.0 | 194.7 | +4.5 | 1.00 |
| Brewin Dividend | 98.5 | 104.8 | +1.8 | 5.82 |
| Brewin Inc Gth Inc | 208.9 | 222.3 | +3.1 | 3.31 |



JOTTER PAD

## FT CROSSWORD No.6,651

SET BY FRESCA



**ACROSS**

1 Struck a medal, embarrassed about it (6)
4 One turning up without deposit for calculator (8)
10 Opera – field for exploitation at Number Ten? (7)
11 Attendant, very French, backed vehicle in (7)
12 Garden of oriental study (4)
13 Miss World's prize a tourist attraction? (6,4)
15 Runs off: half police in office taken aback (6)
16 Bird – a pencil study (7)
20 Sleeping bad? It's torment! (7)
21 In which swimmers gather – for instruction? (6)
24 Upset by one point in prelude to Howard's End (10)
26 Non-professional labour leaders in charge (4)
28 Ecclesiastical piece composed by Tortini? (7)
29 Day-book row gets more silly (7)
30 Old English glue is coming unstuck for 25 (8)
31 Stoic extremely nice about describing 13 (6)

**DOWN**

1 Beamed overhead later – in colour (8)
2 Coral's dream about rope weaving (9)
3 See 19
5 Hides remedy – boss, indisposed, goes without (8)
6 One's turn for pseudo-aesthetic item on piano (5,5)
7 Vagrant, up market and quiet (5)
8 Turner did right to love an art gallery (6)
9 Cosmic writer finds me in bed (5)
14 What Romberg did not do in "The —" (6,4)
17 Love on the dole is trouble (9)
18 Certain salts fix paintings in stand (8)
19 2 Choose to reslice cooked fish (8,4)
22 Beginner ill-equipped for joinery (6)
23 Young fellows without energy as conductors? (5)
25 Speak highly of former spouse to student (5)
27 Duck with spasm of the ear (4)

Solution to Puzzle No.6,650

```
OUSTED SPECIFIC
V U R I A H E U
EMBROIDER ALLOT
R S S I A R O L
CUTE CONSCIENCE
A A F T O O T
MANTLES LITTER
E C O E X R
 DEMOTE PRESAGE
A D N O R M A
BATTLEDORE MISS
A R I L T O N O
SLING EVERGREEN
E C H S R R R E
SWEETISH LESSOR
```

# FT UNIT TRUST INFORMATION SERVICE

**Trades Union Unit Trust Managers**
100 Wood Street, London EC2 01-606 4955

| | | | | |
|---|---|---|---|---|
| TUUT Jun 1 | 220.0 | 231.6 | — | 3.09 |

**Trident Fd Mngrs. Ltd.**
Royal Lds. Hse. Colchester CO1 1RA 0206 764400

| | | | | |
|---|---|---|---|---|
| Trident General | 250.4 | 260.1 | +0.6 | 1.96 |

**Tyndall Unit Trust Managers Limited**
25 Bucklersbury, London EC4R 248 3399

| | | | | |
|---|---|---|---|---|
| Conv & General | 60.7 | 64.4 | — | 7.14 |
| Accum Units | 62.5 | 66.3 | — | 7.14 |
| Income | 79.1 | 83.9 | -0.1 | 4.23 |
| Accum Units | 80.5 | 85.3 | — | 4.23 |
| Smaller Co's | 88.2 | 93.5 | +1.1 | 1.82 |
| Accum Units | 89.1 | 94.4 | +1.0 | 1.82 |
| UK Growth | 86.8 | 92.0 | -0.2 | 2.07 |
| Accum Units | 87.9 | 93.2 | -0.2 | 2.07 |
| Pacific Gold Acc | 54.0 | 57.3 | +0.1 | — |

**UK Unit Trust Managers Ltd**
Worthing Road, Horsham, RH12 1SL 0403 40035

| | | | | |
|---|---|---|---|---|
| British Growth | 60.8 | 64.7 | +0.1 | 2.04 |
| Technical Analysis | 50.7 | 54.0 | +0.1 | 2.09 |

**Unit Trust Account & Mgmt. Ltd**
20 Copthall Ave, London, EC2R 7PA 01-588 6064
Advisors: Henderson Crosthwaite Ltd

| | | | | |
|---|---|---|---|---|
| Friars Hse Cap. | 182.6 | 194.2 | — | 3.45 |
| Friars Hse Inc. | 156.2 | 164.4 | — | 5.27 |

**United Charities Unit Trusts**
Unicorn Hse, 252 Romford Rd, E7. 01-534 5544

| | | | | |
|---|---|---|---|---|
| United Charities | 173.1 | 184.7 | +0.5 | 4.43 |

**Vanguard Trust Managers Ltd (z)**
65 Holborn Viaduct, London EC1A 2EB 01-236 3053
Dealing Line: 01-236 2468

| | | | | |
|---|---|---|---|---|
| Glenfriars | 198.1 | 210.7 | — | 1.42 |
| (Accum Units) | 202.6 | 215.5 | — | 1.42 |
| Far East & Gen | 58.0 | 61.7 | +0.2 | — |

[illegible]

## OTHER UK UNIT TRUSTS

[illegible]

## INSURANCES

[illegible]

Continued on next page

# FT UNIT TRUST INFORMATION SERVICE

### Prolific Life & Pensions Ltd (z)

Stramongate, Kendall, Cumbria LA9 4BE 0539 33733

| | | | | |
|---|---|---|---|---|
| Managed Fd | 499.5 | 526.4 | -0.6 | - |
| Cash Fd | 217.1 | 228.8 | +0.0 | - |
| Property Fund | 258.5 | 272.4 | +0.0 | - |
| Equity Fund | 539.4 | 568.4 | -1.2 | - |
| Fxd. Int. Fund | 289.5 | 305.1 | +0.3 | - |
| International | 233.4 | 248.3 | -3.3 | - |
| High Income | 400.9 | 426.3 | -3.7 | - |
| Far East | 376.7 | 397.0 | +1.0 | - |
| North American | 197.2 | 209.0 | -1.1 | - |
| Special Sits | 467.1 | 497.0 | -5.2 | - |
| Technology | 224.9 | 239.3 | +0.1 | - |
| Extra Inc Fd | 231.9 | 246.8 | -2.2 | - |
| Convertible & Gilt Fd | 147.9 | 155.9 | +0.1 | - |
| American Income | 96.5 | 102.7 | -0.5 | - |
| Gilt Fund 20 | 299.3 | 318.6 | +1.6 | - |
| European Fund | 78.9 | 84.0 | -0.2 | - |
| Managed Pens Acc | 465.2 | 489.7 | +0.5 | - |
| Building Soc. Acc | 217.2 | 228.7 | +0.0 | - |
| Property Pens Acc | 257.4 | 271.0 | +0.0 | - |
| Fix. Int. Pens Acc | 349.9 | 368.4 | +0.9 | - |
| Equity Pens Acc | 601.1 | 632.8 | -3.1 | - |
| International Pens Acc | 211.9 | 223.1 | -0.7 | - |
| High Inc Pens Acc | 412.2 | 433.9 | -1.6 | - |
| Tech Pens Acc | 144.5 | 152.2 | -0.1 | - |
| N American Pens Acc | 134.2 | 141.3 | +0.9 | - |
| Far Eastern Pens Acc | 356.3 | 375.1 | +1.9 | - |
| Special Sits Pens Acc | 382.1 | 402.3 | -0.0 | - |
| Extra Income Pens Fd | 265.2 | 279.2 | -1.1 | - |
| Convertible & Gilt Pen | 156.6 | 164.9 | +0.2 | - |
| American Inc Pens | 106.3 | 112.2 | -0.6 | - |
| European Pens | 81.0 | 85.3 | -0.4 | - |
| **Broker Funds** | | | | |
| KSA Managed Fund | 124.4 | 131.1 | +0.0 | - |
| McKenna Mngd Fund | 130.2 | 137.1 | -1.0 | - |
| Acorn Managed Fund | 144.7 | 152.4 | -0.8 | - |
| Portfolio 2000 | 134.6 | 141.7 | -0.9 | - |
| Allied Anglo Mngd Fd | 110.6 | 116.5 | -0.8 | - |
| Brian Foster Mngd. Fd | 100.6 | 105.9 | -0.4 | - |
| Archer Managed | 105.2 | 110.8 | -0.4 | - |
| Baxter Intnl Managed | 96.4 | 101.6 | -0.1 | - |
| BFP PR Inv Port. | 94.5 | 99.5 | -0.3 | - |
| Chippendale | 83.7 | 88.2 | -0.7 | - |
| De Bara Flexible Ui Bd | 84.1 | 88.6 | -0.5 | - |
| Nistas Hill W'wide Pr | 78.2 | 82.4 | -0.1 | - |

### Regency Life Assurance Co Ltd

55-57 High Holborn, London WC1V 6DU 01-831 7461

| | | | | |
|---|---|---|---|---|
| Aggressive Ptflo Fd | 108.3 | 113.9 | - | - |
| Balanced Ptflo Fd | 284.9 | 299.8 | +0.2 | - |
| Cautious Ptflo Fd | 116.3 | 122.4 | +0.1 | - |
| Elite Fund | 94.6 | 104.8 | -0.1 | - |
| European Fund | 69.0 | 72.6 | +0.0 | - |
| Far East Fund | 106.1 | 111.6 | +0.4 | - |
| Fixed Interest Fund | 239.8 | 252.4 | +0.3 | - |
| International Fund | 220.4 | 231.9 | +0.1 | - |
| Money Fund | 166.5 | 175.2 | +0.0 | - |
| N. American Fd | 85.9 | 90.4 | +0.2 | - |
| Property Fund | 414.7 | 436.5 | +1.0 | - |
| UK Equity Fd | 343.0 | 361.8 | +0.6 | - |
| A.I.M. Brewin Dighn Fd | 84.4 | 88.0 | +0.1 | - |
| Ashlands Sel Inv Fd | 105.3 | 110.8 | +0.1 | - |
| Chart Safety First Bd | 110.2 | 116.0 | +0.2 | - |
| Conquest Fund | 68.4 | 72.0 | +0.0 | - |
| Exec Master Fd | 85.5 | 90.0 | +0.0 | - |
| Hardwick Growth Fd | 104.0 | 109.5 | +0.1 | - |
| Bentley Haig LR Port | 90.8 | 95.6 | -0.0 | - |
| Milbourne Spec Port | 98.6 | 103.8 | +0.0 | - |
| Series Global Fd | 100.8 | 106.1 | +0.0 | - |

All funds have equivalent pension fund. Series 2 prices above.
Others available from Regency Life.

### Reliance Mutual

Reliance House, Tonbridge Wells, Kent 0892 510033

| | | | | |
|---|---|---|---|---|
| Deposit Acc Fd | 115.6 | 121.7 | - | - |
| Equity Acc Fd | 260.0 | 273.7 | -1.6 | - |
| Managed Acc Fd | 240.0 | 252.6 | - | - |
| Prop Fd (1st Issue) | | 505.2 | - | - |
| Prop Acc Fd (2nd Iss) | 159.2 | 167.6 | - | - |
| Unit Trust Mn. Fd | 88.9 | 93.6 | - | - |
| **RL Pension Funds** | | | | |
| Deposit Acc | 144.1 | 151.7 | - | - |
| Equity Acc | 190.8 | 200.8 | - | - |
| Fixed Int Acc | 150.8 | 158.8 | - | - |
| Gilt Indx Lnk Acc | 120.9 | 127.3 | - | - |
| Managed Acc | 223.8 | 235.6 | - | - |

### Royal Heritage Life Assurance Ltd

### Property Equity & Life Ass. Co

### Property Growth Assur Co Ltd

### Providence Capital Life Assc. Co Ltd

### Provident Life Assoc Ltd

### Provident Mutual Life Assc. Assn.

### Prudential Assurance Co

### Prudential Holborn Life Ltd

### Prudential Holborn Pensions Ltd

### Prudential Pensions Limited

### Royal Life Insurance Ltd

### Royal Liver Assrce (Life & Pensions)

### Save & Prosper Group

### Scottish Amicable

### Scottish Equitable Life Assce. Soc.

### Scottish Life Investments

### Scottish Mutual Assurance Society

### Scottish Mutual Investments

### Scottish Provident Institution

### Scottish Widows' Group

### Shield Assurance Ltd

### Skandia Life Assurance Co Ltd

### Skandia Life Assurance Co Ltd – Contd.

### Standard Life Assurance Company

### Sun Alliance Insurance Group

### Sun Life of Canada (UK) Ltd

### Sun Life Unit Assurance Ltd

### Swiss Life Pensions Ltd

### TSB Life Ltd

### Target Life Assurance Co. Ltd.

### Target Life Assurance Co. Ltd.–Contd.

### Teachers' Assurance Company Ltd

### Tunbridge Wells Equitable

### UK Life Assurance Co Ltd

### UK Provident

### Wesleyan & General Assurance Soc

### Windsor Life Assur Co Ltd

## MANAGEMENT SERVICES

## OFFSHORE AND OVERSEAS

## UK LISTED

## OFFSHORE INSURANCES

# FT UNIT TRUST INFORMATION SERVICE

## OTHER OFFSHORE FUNDS

# LONDON SHARE SERVICE

## BRITISH FUNDS

| 1988 High | Low | Stock | Price £ | + or − | Yield Int. | Red. |
|---|---|---|---|---|---|---|
| | | **"Shorts" (Lives up to Five Years)** | | | | |
| 100¼ | 99 | Treas. 9½pc '88 | 100 | +¼ | 9.47 | 8.51 |
| 102 | 101 | Treas 11½pc 1989 | 101 | +¼ | 11.29 | 8.62 |
| 101 | 99 | Treas 9½pc Cnv 1989 | 100 | +¼ | 9.45 | 8.78 |
| 97 | 95 | Treas 3pc 1989 | 97 | +¼ | 3.10 | 6.44 |
| 102 | 100 | Treas 10½pc 1989 | 101 | +¼ | 10.33 | 8.79 |
| 102 | 100 | Exch 10pc 1989 | 101 | +¼ | 9.89 | 8.91 |
| 103 | 101 | Exch 11pc 1989 | 102 | +¼ | 10.74 | 8.90 |
| 97 | 95 | Treas 5pc 1986-89 | 96 | +¼ | 5.17 | 7.50 |
| 104 | 101 | Exch 10¼pcCv '89 | 102 | +¼ | 9.99 | 8.24 |
| 107 | 105 | Treas 13pc 1990‡‡ | 105 | +¼ | 12.28 | 8.95 |
| 104 | 102 | Exch 11pc 1990‡‡ | 103 | +¼ | 10.68 | 8.98 |
| 107 | 105 | Exch. 12½pc 1990 | 105 | +¼ | 11.83 | 8.99 |
| 93 | 91 | Treas. 3pc 1990 | 92 | +¼ | 3.23 | 6.97 |
| 99 | 98 | Treas 8¼pc 1987-90‡‡ | 99 | +¼ | 8.31 | 8.66 |
| 102 | 98 | Treas. 8pc Cv 1990 ‡‡ | 100 | — | 7.99 | 7.94 |
| 103 | 100 | Treas. 10pcCv 1990 | 102 | +¼ | 9.81 | 9.05 |
| 91 | 88 | Exch 2½pc 1990 | 90 | +¼ | 2.77 | 6.88 |
| 107 | 105 | Treas 11¾pc 1991 | 106 | +¼ | 11.09 | 9.11 |
| 95 | 92 | Funding 5¾pc '87-91‡‡ | 93 | +¼ | 6.12 | 8.19 |
| 90 | 87 | Treas. 3pc 1991 | 88 | +¼ | 3.37 | 7.24 |
| 105 | 101 | Treas 10pc Cv '91 ‡‡ | 103 | +¼ | 9.70 | 8.84 |
| 107 | 104 | Exch. 11pc 1991 | 105 | +¼ | 10.44 | 9.11 |
| 98 | 95 | Treas. 8pc 1991 | 96 | +¼ | 8.26 | 9.07 |
| 113 | 109 | Treas 12¾pc 1992‡‡ | 111 | +¼ | 11.50 | 9.14 |
| 104 | 101 | Treas 10pc 1992 | 102 | +¼ | 9.75 | 9.15 |
| 98 | 94 | Treas. 8pc 1992 ‡‡ | 96 | +¼ | 8.30 | 9.10 |
| 106 | 102 | Treas 10½pc Cv 1992‡‡ | 104 | +¼ | 10.08 | 9.20 |
| 86 | 83 | Treas. 3pc 1992 | 85 | +¼ | 3.52 | 7.31 |
| 112 | 108 | Exch 12¼pc '92 | 110 | +¼ | 11.12 | 9.28 |
| 117 | 113 | Exch 13½pc 1992 | 114 | +¼ | 11.79 | 9.29 |
| 40 | 38 | Treas. 8¾pc 1993 (40) | 39 | +¼ | 8.56 | 9.22 |
| 105 | 100 | Treas 10pc 1993‡‡ | 103 | +¼ | 9.71 | 9.21 |
| | | **Five to Fifteen Years** | | | | |
| 115 | 111 | Treas 12½pc 1993‡‡ | 112 | +¼ | 11.09 | 9.30 |
| 93 | 89 | Funding 6pc 1993‡‡ | 91 | +¼ | 6.57 | 8.03 |
| 121 | 116 | Treas 13¾pc 1993‡‡ | 118 | +¼ | 11.61 | 9.34 |
| 101 | 96 | Treas. 8½pc 1994 | 96 | +¼ | 8.79 | 9.26 |
| 125 | 120 | Treas 14½pc 1994‡‡ | 122½ | — | 11.84 | 9.33 |

## BRITISH FUNDS—Contd

### Undated

### Index-Linked

## INT. BANK AND O'SEAS GOVT STERLING ISSUES

## CORPORATION LOANS

## COMMONWEALTH & AFRICAN LOANS

## LOANS

### Building Societies

### Public Board and Ind.

### Financial

## FOREIGN BONDS & RAILS

## AMERICANS

Continued on next page

## World Fund S.A.

World Fund NAV June 7 $22.32 — —

## World Wide Growth Management

W'wide (Suspended) — — — —

Inv. Adv.: M. & G. Inv. Mngt., Ltd, London

## Yamaichi Capital Mngt (Guernsey) Ltd

| | | | |
|---|---|---|---|
| Japan Meta Growth | $13.88 | −0.09 | — |
| Yamaichi OSI Fund | $12.73 | +0.04 | — |
| Thai Inc Fd | $9.89 | — | — |

## Yamaichi Dynamic Mngt Co SA

| | | | |
|---|---|---|---|
| Advanced Tech | $28.24 | +0.08 | — |
| Dynamic Grth Fd | $30.90 | +0.12 | — |

# Money Market Trust Funds

| | Gross | Net | Cr Equiv CAR | Int Cr |
|---|---|---|---|---|
| **Charities Aid Fndtn Money Mngmt Co Ltd** Staple Hall, Stone Ct, Houndsditch, EC3 01-283 6461 | | | | |
| CAFCASH Call Fund | 6.43 | 4.93 | 6.70 | 3-mth |
| CAFCASH 7-day Fund | 6.78 | 5.20 | 7.07 | 3-mth |
| **The Charities Deposit Fund** 2 Fore Street, London EC2Y 5AQ 01-588 1815 | | | | |
| Deposit | 7.50 | — | 7.71 | 3-Mth |
| **Gartmore Money Management Ltd** 61 Queen St, London, EC4R 1PH 01-236 1425 | | | | |
| Call Fnd | 5.94 | 4.55 | 6.13 | 6-Mth |
| 7-day Fund | 6.70 | 5.14 | 6.95 | 6-Mth |
| Dollar | 6.12 | 4.70 | 6.39 | 3-Mth |

# Money Market Bank Accounts

| | Gross | Net | Cr Equiv CAR | Int Cr |
|---|---|---|---|---|
| **AAB-Allied Arab Bank Ltd** 97-101 Cannon St, London, EC4N 5AD 01-629 6802 | | | | |
| HICA, HICMA | 8.00 | 6.14 | 8.42 | Mth |
| **Adam & Co. plc** 22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484 | | | | |
| Full Service Chq Acc | 6.50 | 5.00 | 6.79 | Qtr |
| **Aitken Hume** | | | | |
| **M & G/Kleinwort Benson** M & G Hse, Victoria Rd, Chelmsford 0245 266266 | | | | |
| H.I.C.A. (£2,500+) | 7.125 | 5.46 | 7.47 | Daily |
| **Midland Bank plc** PO Box 2, Sheffield 0742 529655 | | | | |
| High Int Chq Acc | 7.17 | 5.50 | 7.49 | Qtr |
| £10,000+ | 7.82 | 6.00 | 8.15 | Qtr |
| **M.I.M. Britannia Ltd** 11 Devonshire Square EC2M 4YR 01-626 3434 | | | | |
| Cater Allen | 6.38 | 4.89 | 6.672 | Mth |
| **NatWest Special Reserve Account** 41 Lothbury, London, EC2P 2BP 01-726 1000 | | | | |
| £2,000 to £9,999 | 7.25 | 5.50 | 7.33 | Qtr |
| £10,000 and above | 7.50 | 5.75 | 7.67 | Qtr |
| **Phillips & Drew Trust Ltd** 120 Moorgate, London EC2M 6XP 01-628 9771 | | | | |
| High Int Chq Acc | 6.625 | 5.08 | 6.92 | Qtr |
| **Provincial Bank PLC** 30 Ashley Rd, Altrincham, Cheshire 061-928 9011 | | | | |
| H.I.C.A. (£1,000+) | 8.00 | 6.14 | 8.42 | Mth |
| **Royal Bank of Scotland plc** 42 St Andrew Sq, Edinburgh EH2 2YE 031-557 0201 | | | | |
| Premium Account | 7.25 | 5.56 | 7.58 | Qtr |
| **Save & Prosper/Robert Fleming** 28 Western Rd, Romford RM1 3LB. 0708 766966 | | | | |
| H.I.B.A. | 6.51 | 5.00 | 6.94 | Daily |
| **Tyndall & Co Ltd** 29-33 Princess Victoria St, Bristol 0272 732241 | | | | |
| Demand Acc | 7.53 | 5.78 | 7.87 | Qtr |
| Money Acc | 7.00 | 5.37 | 7.31 | Qtr |
| Client Plus Acc | 7.25 | 5.56 | 7.57 | Qtr |
| **J. Henry Schroder Wagg & Co Ltd** Enterprise House, Portsmouth 0705 827733 | | | | |
| Special Acc | 5.75 | 4.41 | 6.00 | Mthly |
| £10,000 and above | 6.00 | 4.61 | 6.28 | Mthly |
| **Western Trust & Savings Limited** The Moneycentre, Plymouth PL1 1SE 0752 224141 | | | | |
| High Int Chq Acc | 8.00 | 6.14 | 8.37 | Qtr |
| **Wimbledon & South West Finance Co Ltd** 114 Newgate St, London EC1 7AE 01-606 9485 | | | | |
| High Int Cheque Acc | 8.30 | 6.37 | 0.70 | Qtr. |

NOTES—Gross rate is that element from composite rate of tax. Net actual rate after deduction of CRT. Cr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr frequency interest credited

## UNIT TRUST NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. a Offered prices include all expenses. b Today's opening price. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price.

## AMERICANS—Contd

| 1988 High | Low | Stock | Price £ | + or – | Div Gross | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 33½ | 27¾ | Sun Co. Inc. $1 | 33xd | ..... | $3.00 | – | 5.0 |
| 28⅞ | 22⅞ | TRW Inc. 62½c | 25⅞ | ..... | $1.60 | – | 3.4 |
| 26½ | 21¼ | Tenneco $5 | 26½ | ..... | $3.04 | – | 6.3 |
| 28¼ | 19⅞ | Texaco $6.25 | 28⅛ | ..... | ♦$3.00 | – | 5.8 |
| 52⅞ | 43¼ | Time Inc $1 | 51⅞xd | ..... | $1.00 | – | 1.1 |
| 20⅝ | 15⅞ | Transamerica $1 | 18⅞ | ..... | $1.84 | – | 5.4 |
| 10⅛ | 754p | Transworld Corp $5 | 986p | –19 | 20c | – | 1.2 |
| 20⅛ | 14½ | TRINOVA Corp | 16⅛xd | –⅛ | 56c | – | 1.9 |
| 19 | 15¼ | USX $1 | 17⅛ | ..... | $1.20 | – | 3.7 |
| 23 | 17⅝ | Utd. Technologies | 21xd | ..... | $1.60 | – | 4.2 |
| 31¼ | 26¼ | US West | 29¼ | –⅛ | $3.52 | – | 6.6 |
| 21¼ | 16⅞ | Waste Management $1 | 19½ | –½ | 36c | – | 1.0 |
| 16¾ | 12⅞ | Whirpool $1 | 14⅞ | –⅛ | $1.10 | – | 4.0 |
| 32⅞ | 18¼ | ♥Woolworth $3½ | 28⅛ | ..... | $1.64 | – | 3.2 |

## CANADIANS

| High | Low | Stock | Price | + or – | Div Gross | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 309p | 190p | ABM Gold Corp ‖ | 196xd | –6 | – | – | – |
| 32p | 11p | ♥Abbot Energy Corp | 24p | ..... | – | – | – |
| 14¼ | 990p | ♥Amer Barrick Res | 12¼ | –¼ | – | – | – |
| 10p | 3½p | American Lightwave | 5p | ..... | – | – | – |
| 47p | 19p | ♥Armeno | 21p | +2 | – | – | – |
| 76p | 45p | Augmitto Explo | 66p | ..... | – | – | – |
| 12¼ | 10⅞ | Bk. Montreal ‖ | 11⅞ | –⅛ | $2.00 | – | 7.4 |
| 595p | 514p | Bk. Nova Scot. ‖ | 566p | –6 | 76c | – | 5.9 |
| 17½ | 15¼ | BCE ‖ | 16⅞xd | ..... | $2.44 | – | 6.4 |
| 716p | 591p | ♥Bow Valley ‖ | 627p | –1 | ♦40c | – | 2.8 |
| 12⅛ | 10½ | ♥Brascan ‖ | 11½ | ..... | 88c | – | 3.4 |
| 328p | 189p | ♥Breakwater Res. | 264p | +1 | 10c | – | 1.7 |
| 987p | 801p | Can. Imp Bank ‖ | 969p | –15 | $1.16 | – | 5.3 |
| 10¼ | 841p | Can. Pacific ‖ | 10¼ | ..... | 60c | – | 2.6 |
| 41½ | 40 | Do. 4pc Deb £100 | 40½ | ..... | 4% | – | 9.9 |
| 476p | 362p | Central Capital "A" ‖ | 432p | +6 | – | – | – |
| 886p | 288p | Cons TVX Min | 390p | +11 | – | – | – |
| 212p | 76p | Danbus Res. | 211p | ..... | – | – | – |
| 536½p | 430p | Derlan Inds | 511p | +1 | 11.75c | – | 1.0 |
| 14¼ | 984p | ♥Echo Bay Mines | 12¼ | –¼ | 14c | – | 0.5 |
| 40p | 26p | Energex Minerals | 30p | –1 | – | – | – |
| 107p | 83p | Euro-Asia Capital Ltd | 99p | ..... | – | – | – |
| 382p | 222p | ♥Galactic Resources | 382p | +11 | – | – | – |
| 123p | 99p | ♥Geodome Res | 100p | –2 | – | – | – |
| 394p | 206p | Granges Explo ‖ | 247p | +17 | – | – | – |
| 16½p | 8½p | ♥Gt Pacific Res | 11p | ..... | – | – | – |
| 899p | 652p | ♥Gulf Canada ‖ | 829p | –7 | 52c | – | 2.8 |
| 10¼ | 816p | ♥Hawker Sid Can ‖ | 10¼ | ..... | $1.00 | – | 4.6 |
| 588p | 344p | Hendys Group | 471p | –22 | – | – | – |
| 957p | 785p | ♥Hudson's Bay ‖ | 867p | –1 | 60c | – | 3.1 |
| 27⅞ | 22⅞ | ♥Imperial Oil ‖ | 25¼ | –¼ | $1.80 | – | 3.2 |
| 17¼ | 10¼ | Inco ‖ | 17¼ | –¼ | US$0.80 | – | 2.5 |
| 451p | 312p | ♥Intl. Corona Res. | 432p | –11 | – | – | – |
| 718p | 462p | ♥Inland Nat. Gas $1 | 585p | –11 | 60c | – | 5.2 |
| 577p | 390p | ♥Lacana Mining Corp ‖ | 556p | +1 | Q15c | – | 1.2 |
| 250p | 150p | Madeleine Mines | 215p | –2 | – | – | – |
| 181p | 126p | ♥Muscocho Explo | 160p | ..... | – | – | – |
| 187p | 75p | ♥Nul Business Syst. ‖ | 112p | ..... | – | – | – |
| 237p | 110p | ♥Nevada Goldfields | 168p | ..... | – | – | – |
| 12 | 797p | ♥Rio Algom | 999p | +15 | $1.30 | – | 5.7 |
| 13½ | 11½ | Royal Bk. Can. ‖ | 13⅛ | –⅛ | $2.08 | – | 6.9 |
| 269p | 177p | ♥Royex Gold Mining ‖ | 250p | –11 | – | – | – |
| 32½ | 26¼ | Seagram ‖ | 29¼ | –⅞ | US$1.20 | – | 2.3 |
| 361p | 178p | ♥Sonora Gold Corp ‖ | 301p | +5 | – | – | – |
| 67p | 16p | Spiral Eng | 50p | +2 | – | – | – |
| 126p | 35p | Tam Pure Tech. Corp. ‖ | 126p | +4 | – | – | – |
| 13¼ | 11⅞ | Toronto-Dom. Bk. ‖ | 11⅞ | –⅛ | $1.12 | – | 3.6 |
| 64p | 20p | ♥Trans Atlantic Res ‖ | 22p | ..... | – | – | – |
| 671p | 566p | ♥Trans Can Pipe | 616p | –7 | 68c | – | 4.9 |
| 201p | 127p | Varity Corp ‖ | 195p | +7 | 8– | – | – |

## BANKS, HP & LEASING

| 1988 High | Low | Stock | Price | + or – | Div Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| 213 | 131 | ANZ $A1 | 209 | +2 | †Q21c | 3.1 | 4.2 | 7.7 |
| 234 | 200 | Allied Irish | 232 | –1 | Q65.3% | ♦ | 5.9 | ♦ |
| £12⅞ | £10⅞ | Algemene Fl 10 | £11⅞ | –⅛ | Q27% | ♦ | 6.9 | ♦ |
| 73 | 58 | Anglo Irish | 67 | ..... | Q19.69% | 1.2 | 6.2 | 20.9 |
| 84 | 64 | Ansbacher (H.) 1p | 80 | ..... | 2.0 | – | 3.3 | – |
| £40½ | £24⅞ | Banco de Bilbao S.A. | £40½ | ..... | Q67.2% | 3.1 | 4.0 | 7.8 |
| £35¼ | £27⅞ | Banco de Santander | £35¼ | +¼ | Q22% | 2.4 | 1.6 | 27.5 |
| [illegible] | | | | | | | | |

### Hire Purchase, Leasing, etc.

[illegible]

## BEERS, WINES & SPIRITS

[illegible]

## BUILDING, TIMBER, ROADS

[illegible]

## BUILDING, TIMBER, ROADS — Contd

[illegible]

## CHEMICALS, PLASTICS

[illegible]

## DRAPERY AND STORES

[illegible]

## DRAPERY AND STORES—Contd

[illegible]

## ELECTRICALS

[illegible]

## ENGINEERING

[illegible]

## ENGINEERING—Contd

[illegible]

## FOOD, GROCERIES, ETC

[illegible]

## HOTELS AND CATERERS

[illegible]

## INDUSTRIALS (Miscel.)

[illegible]

## INDUSTRIALS (Miscel.)—Contd

[illegible]

## INDUSTRIALS (Miscel.)—Contd.

[illegible]

## INSURANCES

[illegible]

## LEISURE

[illegible]

هكذا من الأصل

# LONDON SHARE SERVICE

## LEISURE—Contd

[illegible]

## MOTORS, AIRCRAFT TRADES

[illegible]

### Commercial Vehicles

[illegible]

### Components

[illegible]

### Garages and Distributors

[illegible]

## NEWSPAPERS, PUBLISHERS

[illegible]

## PAPER, PRINTING, ADVERTISING

[illegible]

## PAPER, PRINTING, ADVERTISING — Contd

[illegible]

## PROPERTY

[illegible]

## SHIPPING

[illegible]

## SHOES AND LEATHER

[illegible]

## SOUTH AFRICANS

[illegible]

## TEXTILES

[illegible]

## TEXTILES—Contd

[illegible]

## TOBACCOS

[illegible]

## TRUSTS, FINANCE, LAND

### Investment Trusts

[illegible]

## TRUSTS, FINANCE, LAND—Contd

[illegible]

### Finance, Land, etc

[illegible]

## OIL AND GAS

[illegible]

## OIL AND GAS—Contd

[illegible]

## OVERSEAS TRADERS

[illegible]

## PLANTATIONS

### Rubbers, Palm Oil

[illegible]

### Teas

[illegible]

## MINES

### Central Rand

[illegible]

### Eastern Rand

[illegible]

### Far West Rand

[illegible]

### O.F.S.

[illegible]

### Diamond and Platinum

[illegible]

### Central African

[illegible]

### Finance

[illegible]

### Australians

[illegible]

## MINES—Contd

[illegible]

### Tins

[illegible]

### Miscellaneous

[illegible]

## THIRD MARKET

[illegible]

## NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- ▮ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ‡ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- *No par value*

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m *Interim higher than previous total.* n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. *A Net dividend and yield. B Preference dividend passed or deferred.* C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on *prospectus or other official estimates for 1988.* N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

# REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

| | | |
|---|---|---|
| Albany Inv 20p ... γ | 68 | ..... |
| Craig & Rose £1 .. γ | 678 | ..... |
| Finlay Pkg. 5p ... γ | 77 | ..... |
| Holt (Jos) 25p ... γ | £11¾ | ..... |

### IRISH

| | | |
|---|---|---|
| Nat. 9¾% 84/89 .. | £101 | ..... |
| 9pc Cap Ln. 1996 .. | £98½ | ..... |
| Fin. 13% 97/02 ... | £118¾ | ..... |
| Arnotts ........ γ | 340 | ..... |
| CPI Hldgs. ...... γ | 97 | +4 |
| Carroll Inds. ..... γ | 135 | ..... |
| Hall (R. & H.) .... | 168 | ..... |
| Heiton Hldgs. ..... γ | 42 | ..... |
| Irish Ropes ...... γ | 270 | ..... |
| Unidare ......... γ | 395 | ..... |

# TRADITIONAL OPTIONS

3-month call rates

| Industrials | p |
|---|---|
| Allied-Lyons | 55 |
| Amstrad | 16 |
| BAT. | 36 |
| BOC Grp | 36 |
| BSR | 8 |
| BTR | 22 |
| Barclays | 35 |
| Beecham | 42 |
| Blue Circle | 38 |
| Boots | 14 |
| Bowaters | 35 |
| Brit Aerospace | 35 |
| Brit. Telecom | 22 |
| Burton Ord | 21 |
| Cadburys | 32 |
| Charter Cons | 39 |
| Comm Union | 34 |
| Courtaulds | 34 |
| FKI Babcock | 12 |
| FNFC | 23 |
| Gen Accident | 85 |
| GEC | 13 |
| Glaxo | 85 |
| Grand Met | 45 |
| GUS 'A' | 95 |
| Guardian | 85 |
| GKN | 28 |
| Hanson | 12 |
| Hawker Sidd | 48 |
| ICI | 72 |
| Jaguar | 26 |
| Ladbroke | 38 |
| Legal & Gen | 25 |
| Lex Service | 33 |
| Lloyds Bank | 26 |
| Lucas Inds | 50 |
| Marks & Spencer | 17 |
| Midland Bk | 37 |
| Morgan Grenfell | 30 |
| NEI | 10 |
| Nat West Bk | 52 |
| P & O Dfd | 52 |
| Plessey | 16 |
| Polly Peck | 38 |
| Racal Elect | 32 |
| RHM | 38 |
| Rank Org Ord | 64 |
| Reed Intnl | 36 |
| STC | 24 |
| Sears | 11 |
| TI | 28 |
| TSB | 6 |
| Tesco | 14 |
| Thorn EMI | 60 |
| Trust Houses | 21 |
| T&N | 17 |
| Unilever | 42 |
| Vickers | 14 |
| Wellcome | 45 |
| **Property** | |
| Brit Land | 38 |
| Land Securities | 52 |
| MEPC | 52 |
| Peachey | 50 |
| **Oils** | |
| Brit. Gas | 13 |
| Brit Petroleum | 24 |
| Burmah Oil | 50 |
| Charterhall | 3 |
| LASMO | 40 |
| Premier | 7½ |
| Shell | 95 |
| Ultramar | 26 |
| **Mines** | |
| Cons Gold | 95 |
| Lonrho | 28 |
| RTZ | 35 |

A selection of Options traded is given on the London Stock Exchange Report Page

*This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £940 per annum for each security.*

# LONDON STOCK EXCHANGE

| Account Dealing Dates | | | |
|---|---|---|---|
| *First Dealings | Option Declarations | Last Dealings | Account Day |
| May 23 | Jun 2 | Jun 3 | Jun 13 |
| Jun 6 | Jun 16 | Jun 17 | Jun 27 |
| Jun 20 | June 30 | Jul 1 | Jul 11 |

*New time dealings may take place from 9.00 am two business days earlier.

## US influences boost equities at close of sluggish session while Gilts hang fire

THE UK equity market was boosted at the end of a dull trading session by the strong opening on Wall Street. Led by a general mark-up in New York quotations for American Depositary Receipts (ADRs), the UK blue chip international stocks closed with wide-spread gains. However, there was a dearth of genuine buying orders to back up the higher price quotations.

For most of the day, the market was easier on sheer lack of trading volume. The City continued to keep a close watch on the currency rates and the late improvement came as an early gain in the pound was trimmed. Once again, the institutions appeared unwilling to commit themselves until the outlook for UK interest rates becomes more clear.

Government bonds also traded very quietly. Opening prices were a touch higher, but this was often little more than a catch up after a rally at the close of the previous session. The early gains melted away and by the end prices were barely firmer on the day.

The FT-SE 100 Index closed 8.0 up at 1828.2, after spending most of the session on the downside. The 1820 support level was not regained until mid-afternoon. Seaq turnover dipped to 399.4m shares.

Uncertainty over the pound revived after Goldman Sachs, in the June edition of its Economic Analyst review, repeated its previous forecast that sterling is headed up to DM 3.15-3.20 and $1.50-2.00 on a six month term. Last week's dip in the pound was no more than a "short term correction", says Goldman, and did nothing to change its view.

Also bearing down on the market were the growing fears that a further round of staff cutbacks may be about to hit the City. There were strong rumours yesterday that a major UK market-maker will shortly follow last week's lead from Chase Manhattan by laying off trading staff, including some senior employees.

After its brief uptick at the end of last week, equity turnover has slipped back into the doldrums. While turnover remains higher than in pre-Big Bang days, it is not high enough to cover the substantially increased cost structures imposed on some City firms by the new-style, highly competitive, electronic marketplace.

Amstrad quickly returned to the limelight as the market responded favourably to news of the group's venture into the satellite television market with an Amstrad Fidelity branded 60CM dish and receiver, aimed squarely at the mass market.

Only recently the group announced new audio and video products including the long awaited video camera which is intended to sell at around half the current market average. At the same time the purchase of the Fidelity brand was also announced. Amstrad took pride of place as one of the most actively traded stocks (some 11m) with the share price closing 14 to the good at 199p.

Shares in Dalgety surged 12 to 334p in early trading on market rumours that aggressive Hillsdown Holdings may be about to bid for the company. Nestlé, Grand Metropolitan and Hanson were also mentioned as possible bidders, with some dealers according these little credibility. Mr Harry Solomon, chairman of Hillsdown, said "I am afraid we never comment on market rumours", but one analyst said that Hillsdown is currently trying to reduce gearing and thought a bid unlikely. Hillsdown is believed to be trying to sell a 3 per cent stake in Tate & Lyle to raise around £20m, but volume in Tate & Lyle shares was again low and dealers suggested the shares have not yet been placed.

Dalgety shares have had a strong run over the last two weeks and ironically takeover rumours hardened on the day Barclays de Zoete Wedd, the securities house, issued a "trading sell" note on the company. The shares eased in the early afternoon as the wider market dried up, but ended better at 334p on turnover of 2.8m.

Reed International joined the list of companies which have produced results above expectations only to see their share price tumble. Profits of £242.8m were fully 20 per cent above forecasts and chief executive Mr Peter Davis said he hoped to confirm the sale of Reed's European paper interests for around £600m within a month.

Despite this, sellers appeared and the share price fell away to 407p, down 18 on turnover of 3.3m shares. One dealer said the figures looked good "until you pulled them apart". But a more likely explanation for the fall is that the price was reacting to a strong advance ahead of yesterday's figures.

British & Commonwealth shares reacted to a Press story which indicated that negotiations for the sale via a management buy-out of its subsidiary Bricom were near to a successful conclusion. After a quiet opening which saw the shares drift back, they climbed 5 to 263p on volume of 19m.

A B&C official offered no comment on the suggested price of £350m for Bricom, but analysts are confident that the figure is not far out and expect a formal announcement by B&C later this week. Dealers then anticipate a bid for merchant bank Singer & Friedlander in which B&C has a 10.4 per cent stake, but its shares were quiet and ended the day unchanged at 85p.

Abbey Life, the unit-linked life assurance group, closed unchanged at 310p, but turnover remained brisk at 2.1m shares. Strong buying from the Continent over the past few days is ascribed to stake-building by Banque Paribas, the French financial group.

The clearing banks shaded easier in unexciting turnover, as the market waited for the next move in domestic interest rates. TSB held steady at 104½p despite City predictions that it is the most directly in line to suffer the increased competition when Girobank is privatised in the autumn.

Legal & General jumped 6 to 290p in good turnover and the other composites were firm. Good profits, together with a favourable report on the troubled North American operations, lifted C.E. Heath by 8 to 424p.

BP traded actively again, the new shares shading to 70p on turnover of 4.2m shares, and the old, unchanged at 267p, with 3.7m turned over.

Both LASMO, another 6 up at 458p, and Enterprise, 13 better also at 458p, continued to reflect market belief that a merger of the two is not far away.

Burmah Oil moved up 9 to 557p on the back of continued speculation that HSV might make a move on its stock. Sovereign closed up 8 at 145p with analysts anticipating speculative buying. Another notable performer was Great Western Resources rising 5 to 123p.

Brewers were subdued in early trading, but several features emerged. Guinness remained a strong market and edged up a penny to 334p on turnover of 2.0m shares. Scottish & Newcastle closed below what dealers had seen as a support level, ending the day at 309p, also on volume of 2.0m. Fears that a bid may not be forthcoming were allayed by the presence of a good buyer picking up stock at its lower levels.

International stocks did little more than follow the trend in sterling which drifted back from a firm start. Glaxo, down to 912p initially, rallied to close 12 better on the day at 930p.

Beecham, awaiting today's preliminary figures, traded on a brisk note with shares closing 5 to the good at 484p in a volume of some 4.1m. Analysts are looking for pre-tax profits ranging from £405m to £415m. Boots, also scheduled to report annual results today, closed 5 higher 222p. However, a poor Christmas trading period is expected to have limited progress, with forecasts pitched around the £235m mark.

Granada, helped by a BZW recommendation, came to life and put on 10 to 323p, while Coloroll, reflecting better-than-expected preliminary figures, rose 9 to 191p. Arenson responded afresh to the bid approach, rising to 160p before settling 8 up on the day at 156p. Myson, in contrast, ran into profit-taking after the recent speculative flurry and reacted to close 6 cheaper at 215p.

Dixons enjoyed a brisk trade (some 5.4m shares) and closed 8 higher at 183p, with persistent buying prompted by hopes that it will benefit from Amstrad's move into the satellite market.

Elsewhere, Empire met with a revival of demand and put on 6 to 243p. Ellis and Goldstein edged up 2 to 110p on hopes of an increased offer from Berketex.

British Telecom traded on a relatively quiet note awaiting today's announcement of the preliminary figures. Profits estimates range around the £2.3bn mark (£2.07bn). Some 3.6m shares changed hands, with the price closing a shade dearer at 240p.

Oxford Instruments gained 9 to 229p after the preliminary figures. Automated Security, by contrast, gave up 6 to 237p on the group's funding moves. The company is proposing to raise around £39.8m via a rights issue. The money will be used for expansion which is likely to be achieved by acquisitions.

The food sector featured a late rise in Cadbury Schweppes, up 7 to 406p on turnover of 5.2m shares as dealers reported an active London buyer and a large trade in the options market. At one stage, Cadbury shares were well down on the day at 390p.

Rowntree was marked up 9 to 1044p as the day progressed. Marketmakers expect a higher bid from Nestlé and turnover was light at 429,000 shares. S. Daniels jumped 10 to 95p on rumours that a potential bidder was increasing an existing stake, while Dee and Argyll saw buying interest and both edged up 3 to close at 187p.

The motors sector came to life with Lucas leading the way, the shares rising 15 to 528p as buyers came into the market in late trading. A well-timed County NatWest WoodMac circular pointed out that Lucas is taking analysts to the US next week to view its facilities and suggested that this *would push the price up in the* short term.

Lex Service was a strong market, with the shares putting on 11 to 389p, while Camford Engineering continued to make progress ahead of today's interim figures. Dealers are expecting £1.4m and the shares rose 4 to 199p.

Quick (H.J) confused market-makers when its 1-for-1 split was postponed until today, but better liquidity hopes pushed the price up 10 to 275p. Caffyns reported barely improved profits, but the shares held steadily in a thin market and eventually closed 3 higher at 573p.

Among papers, Associated Newspapers was a firm market and the shares ended up 3 at 493p, while regional publisher EMAP edged up 2 to 206p ahead of next Monday's figures. Analysts are forecasting £22.24m.

Interest in the Property market again centred on companies announcing trading statements with Hardanger, 720p, and Regalian, 180p, rising 25 and 5 respectively after preliminary results.

Textiles were featured by a flurry of speculative activity in Lister which moved up 11 to 124p amid talk of a possible bid from Illingworth Morris.

Turnover in Traded Options slackened off, with the overall total down to 27,617 contracts, made up of 19,286 calls and 8,331 puts. Beecham stood out, recording 3,002 calls and 949 puts.

### Traditional Options

- First dealings May 31
- Last dealings June 10
- Last declarations Sept 1
- For Settlement Sept 12

*For rate indications see end of London Share Service*

Dealers reported a fairly active day in the Traditional option market. Stocks to attract money for the call included Western Mining, Bristol Channel, Consolidated Gold Fields, Oliver Resources, Racal, TSB, Virgin, Delswick, Magnet, Stanhope, Rutland, Morgan Grenfell, Cadbury Schweppes, Amstrad, Ultramar, Noble & Lund, Burndene, Courtaulds, and Christies International. Puts were arranged in Oliver Resources and NSM, but no double options were reported.

### FINANCIAL TIMES STOCK INDICES

| | June 8 | June 7 | June 6 | June 3 | June 2 | Year Ago | 1988 High | 1988 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Government Secs | 89.78 | 89.72 | 89.62 | 89.43 | 89.50 | 92.70 | 91.43 (18/4) | 86.97 (13/1) | 127.4 (9/1/35) | 49.18 (3/1/75) |
| Fixed Interest | 98.21 | 98.15 | 98.49 | 98.32 | 98.38 | 98.42 | 98.67 (25/5) | 94.14 (8/1) | 105.4 (28/11/47) | 50.53 (3/1/75) |
| Ordinary ♥ | 1455.2 | 1445.1 | 1452.8 | 1444.4 | 1443.4 | 1752.2 | 1478.7 (4/3) | 1349.0 (8/2) | 1926.2 (16/7/87) | 49.4 (26/6/40) |
| Gold Mines | 232.5 | 236.0 | 234.3 | 232.1 | 224.0 | 398.8 | 312.5 (7/1) | 195.4 (13/5) | 734.7 (15/2/83) | 43.5 (26/10/71) |
| Ord. Div. Yield | 4.53 | 4.56 | 4.54 | 4.58 | 4.58 | 3.25 | | | | |
| Earnings Yld. % (full) | 11.64 | 11.73 | 11.66 | 11.76 | 11.76 | 7.83 | | | | |
| P/E Ratio (net)(*) | 10.51 | 10.43 | 10.49 | 10.41 | 10.40 | 15.76 | | | | |
| SEAQ Bargains (5pm) | 22,647 | 25,739 | 25,961 | 32,180 | 27,761 | 52,856 | | | | |
| Equity Turnover (£m) | - | 1277.39 | 924.53 | 1370.03 | 1190.75 | 1637.50 | | | | |
| Equity Bargains | - | 29,271 | 27,913 | 35,108 | 28,973 | 59,187 | | | | |
| Shares Traded (ml) | - | 483.2 | 399.7 | 571.5 | 491.4 | 607.2 | | | | |

#### S.E. ACTIVITY

| Indices | June 7 | June 6 |
|---|---|---|
| Gilt Edged Bargains | 110.6 | 104.6 |
| Equity Bargains | 189.7 | 180.9 |
| Equity Value | 2581.9 | 1868.7 |
| 5-Day average | | |
| Gilt Edged Bargains | 114.9 | 113.9 |
| Equity Bargains | 193.2 | 189.6 |
| Equity Value | 2387.3 | 2280.3 |

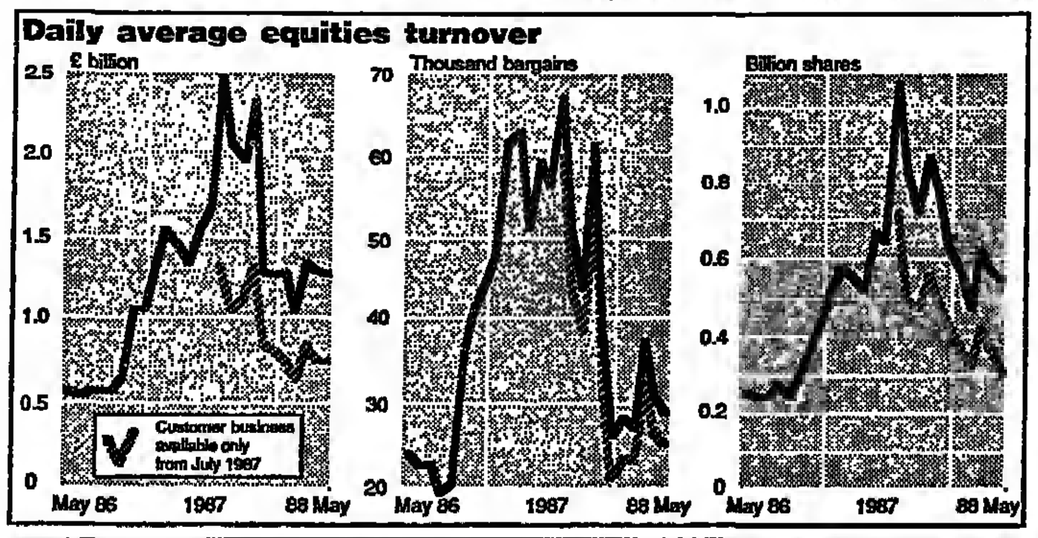
| ♥ Opening | 10 a.m. | 11 a.m. | 12 p.m. | 1 p.m. | 2 p.m. | 3 p.m. | 4 p.m. |
|---|---|---|---|---|---|---|---|
| 1441.7 | 1440.8 | 1443.2 | 1445.4 | 1445.7 | 1445.7 | 1447.7 | 1448.2 |

Day's High 1455.2 Day's low 1440.5

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974. * Nil=10.40.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 0898 123001

### Daily average equities turnover




### NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (117).
AMERICANS (2) CANADIANS (1) BANKS (4) BREWERS (1) BUILDINGS (5) CHEMICALS (2) STORES (4) ELECTRICALS (10) ENGINEERING (4) FOODS (4) INDUSTRIALS (17) INSURANCE (3) LEISURE (2) MOTORS (3) NEWSPAPERS (2) PAPERS (2) PROPERTY (13) SHIPPING (2) TEXTILES (1) TRUSTS (11) OILS (6) MINES (11).

NEW LOWS (11).
BUILDINGS (2) McAlpine (Alfred), McCarthy & Stone, ELECTRICALS (2) Murray Tech. Invs., Neotronics Tech., Real Time Control, INDUSTRIALS (2) Highgate & Job, Macarthy, LEISURE (1) Trillon, PROPERTY (1) Ossory Estates, TRUSTS (1) Brit. & Comm. 4.75pc. Cv. Prf., MINES (1) Musto Expln.

### TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

| Stock | Volume 000's | Stock | Volume 000's | Stock | Volume 000's |
|---|---|---|---|---|---|
| ASDA Group | 302 | General Accident | 386 | Prudential | 2,450 |
| Allied-Lyons | 2,200 | General Elect. | 3,850 | Racal | 1,400 |
| Amstrad | 10,800 | Glaxo | 709 | Rank Org. | 336 |
| Argyll Group | 1,200 | Globe Investment | 424 | RMC | 1,600 |
| Assoc. Brit. Foods | 730 | Granada | 1,800 | RHM | 299 |
| BAA | 1,600 | Grand Met | 1,100 | Reckitt & Colman | 220 |
| BAT | 1,900 | GUS "A" | 227 | Redland | 551 |
| BET | 972 | Guardian R.E. | 28 | Reed Intl. | 3,300 |
| BICC | 582 | GKN | 555 | Reuters "B" | 444 |
| BOC | 512 | Guinness | 2,000 | RTZ | 1,900 |
| BPB Inds | 630 | Hammerson | 176 | Rolls-Royce | 1,900 |
| BTR | 1,400 | Hanson | 10,000 | Rothmans "B" | 410 |
| Barclays | 726 | Hawker Siddeley | 371 | Rowntree | 426 |
| Bass | 693 | Hillsdown Holdings | 754 | Ryl Bank Scotland | 554 |
| Beecham | 4,100 | IMI | 574 | Royal Insurance | 790 |
| Blue Arrow | 1,500 | ICI | 1,000 | STC | 1,600 |
| Blue Circle | 738 | Inchcape | 1,700 | Saatchi & Saatchi | 356 |
| Boots | 4,700 | Jaguar | 578 | Sainsbury | 459 |
| Brit. Airways | 3,200 | Ladbroke | 487 | Scott & Newcastle | 2,000 |
| Brit. Aerospace | 146 | Land Securities | 1,900 | Sears | 2,200 |
| Brit. & Comm. | 1,500 | Laporte | 304 | Shell Transport | 398 |
| British Gas | 5,000 | Legal & General | 5,000 | Smith & Nephew | 2,200 |
| BP | 3,700 | Lloyds Bank | 1,000 | Standard Chartered | 787 |
| Brit. Telecom | 3,600 | LASMO | 2,800 | Storehouse | 1,100 |
| Burmah Oil | 1,400 | Lonrho | 2,200 | Sun Alliance | 44 |
| Burton | 2,200 | Lucas | 1,200 | T & N | 567 |
| Cable & Wireless | 1,100 | MEPC | 1,100 | TSB | 1,000 |
| Cadbury Schweppes | 5,100 | Marks & Spencer | 2,350 | Tarmac | 302 |
| Coats Viyella | 339 | Maxwell Comm. | 109 | Tesco | 2,600 |
| Commercial Union | 976 | Metal Box | 2,600 | THORN EMI | 657 |
| Cons. Gold | 1,100 | Midland Bank | 3,700 | Trafalgar House | 849 |
| Cookson | 247 | NatWest Bank | 2,500 | Trusthouse Forte | 2,700 |
| Courtaulds | 741 | Next | 524 | Ultramar | 2,200 |
| Dalgety | 2,800 | Northern Foods | 14 | Unilever | 301 |
| Dee Corporation | 2,500 | Pearson | 117 | United Biscuits | 2,300 |
| Dixons | 5,400 | Pearl Group | 203 | Wellcome | 1,200 |
| English China Clays | 397 | P & O | 2,000 | Whitbread "A" | 346 |
| Enterprise Oil | 1,100 | Pilkington | 2,000 | Williams Holdings | 205 |
| FKI Babcock | 1,100 | Plessey | 122 | Wimpey | 432 |
| Fisons | 1,700 | | | Woolworth | 500 |

### RISES AND FALLS YESTERDAY

| | Rises | Falls | Same |
|---|---|---|---|
| British Funds | 95 | 9 | 9 |
| Corporations, Dominion and Foreign Bonds | 13 | 14 | 26 |
| Industrials | 362 | 368 | 831 |
| Financial and Properties | 154 | 113 | 389 |
| Oils | 34 | 24 | 48 |
| Plantations | 1 | 8 | 12 |
| Mines | 34 | 65 | 92 |
| Others | 38 | 82 | 151 |
| Totals | 731 | 675 | 1,558 |

## FT – ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

| | EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section) | Wed June 8 1988 Index No. | Day's Change % | Est. Earnings Yield% (Max.) | Gross Div. Yield% (Act at (25%) | Est. P/E Ratio (Net) | xd adj. 1988 to date | Tue Jun 7 Index No. | Mon Jun 6 Index No. | Fri Jun 3 Index No. | Year ago (approx) Index No. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | CAPITAL GOODS (208) | 768.87 | +0.3 | 10.17 | 3.98 | 12.25 | 11.31 | 765.30 | 767.76 | 765.10 | 932.97 |
| 2 | Building Materials (29) | 994.44 | +0.3 | 10.95 | 4.00 | 11.25 | 11.36 | 991.71 | 992.67 | 990.42 | 1230.14 |
| 3 | Contracting, Construction (35) | 1560.48 | +0.1 | 10.39 | 3.42 | 12.73 | 25.92 | 1559.33 | 1561.61 | 1565.89 | 1593.36 |
| 4 | Electricals (12) | 2074.62 | +0.4 | 9.09 | 4.82 | 13.61 | 45.53 | 2066.24 | 2071.47 | 2067.40 | 2370.57 |
| 5 | Electronics (31) | 1624.22 | +1.1 | 10.15 | 3.36 | 12.79 | 17.77 | 1607.16 | 1619.50 | 1620.75 | 2078.25 |
| 6 | Mechanical Engineering (56) | 397.54 | +0.4 | 9.87 | 4.37 | 12.66 | 6.85 | 396.04 | 395.02 | 390.88 | 498.36 |
| 8 | Metals and Metal Forming (8) | 465.13 | ...... | 10.31 | 3.91 | 11.94 | 6.02 | 465.25 | 465.35 | 464.10 | 528.96 |
| 9 | Motors (13) | 274.69 | +1.4 | 11.76 | 4.48 | 9.86 | 5.22 | 270.88 | 273.77 | 273.20 | 352.85 |
| 10 | Other Industrial Materials (24) | 1282.94 | ...... | 8.16 | 4.36 | 12.97 | 21.24 | 1282.27 | 1288.87 | 1277.94 | 1538.29 |
| 21 | CONSUMER GROUP (187) | 1070.52 | +0.4 | 8.89 | 3.55 | 14.29 | 13.03 | 1073.94 | 1081.20 | 1074.76 | 1306.18 |
| 22 | Brewers and Distillers (21) | 1115.21 | -0.1 | 10.67 | 5.62 | 11.77 | 13.58 | 1116.69 | 1121.57 | 1112.36 | 1221.55 |
| 25 | Food Manufacturing (23) | 966.43 | +0.6 | 8.46 | 3.54 | 15.20 | 13.67 | 960.92 | 968.40 | 956.49 | 993.94 |
| 26 | Food Retailing (15) | 1972.35 | +0.4 | 8.61 | 3.30 | 15.48 | 21.46 | 1964.63 | 1981.41 | 1991.09 | 2419.57 |
| 27 | Health and Household (12) | 1824.62 | +0.8 | 6.68 | 2.63 | 17.67 | 10.93 | 1809.34 | 1827.03 | 1815.32 | 2541.92 |
| 29 | Leisure (30) | 1320.19 | +0.6 | 7.98 | 3.60 | 16.02 | 18.36 | 1311.92 | 1317.24 | 1305.96 | 1338.96 |
| 31 | Packaging & Paper (17) | 489.41 | ...... | 9.88 | 4.09 | 12.86 | 6.18 | 489.48 | 492.40 | 490.56 | 671.92 |
| 32 | Publishing & Printing (16) | 3391.70 | -1.4 | 8.23 | 4.46 | 15.41 | 44.73 | 3439.56 | 3412.85 | 3387.02 | 3859.31 |
| 34 | Stores (35) | 816.22 | +1.0 | 10.04 | 3.89 | 13.20 | 11.24 | 808.49 | 816.03 | 811.50 | 1114.09 |
| 35 | Textiles (18) | 578.70 | +0.6 | 11.61 | 4.54 | 10.05 | 10.99 | 575.12 | 582.23 | 585.96 | 758.39 |
| 40 | OTHER GROUPS (92) | 883.70 | +0.5 | 10.83 | 4.29 | 11.38 | 10.17 | 878.95 | 884.01 | 873.77 | 1107.20 |
| 41 | Agencies (19) | 1159.79 | +0.3 | 7.14 | 2.32 | 17.66 | 11.31 | 1153.60 | 1161.04 | 1149.05 | 1495.29 |
| 42 | Chemicals (20) | 1032.30 | +1.0 | 11.71 | 4.76 | 10.44 | 21.53 | 1022.55 | 1029.53 | 1018.76 | 1328.04 |
| 43 | Conglomerates (13) | 1178.67 | +1.1 | 10.55 | 4.48 | 10.89 | 16.27 | 1165.48 | 1173.51 | 1172.78 | 1349.56 |
| 45 | Shipping and Transport (12) | 1904.42 | +0.1 | 10.64 | 4.62 | 12.51 | 29.61 | 1902.16 | 1900.55 | 1902.52 | 2252.35 |
| 47 | Telephone Networks (2) | 945.27 | +0.3 | 11.39 | 4.36 | 11.69 | 0.00 | 942.63 | 945.27 | 929.51 | 1232.73 |
| 48 | Miscellaneous (26) | 1106.63 | +0.1 | 11.29 | 4.25 | 10.06 | 19.26 | 1105.13 | 1199.00 | 1169.91 | 1402.50 |
| 49 | INDUSTRIAL GROUP (487) | 955.55 | +0.5 | 9.75 | 3.86 | 12.84 | 12.04 | 951.10 | 956.40 | 949.86 | 1168.59 |
| 51 | Oil & Gas (13) | 1847.92 | +0.2 | 10.45 | 5.53 | 12.35 | 39.80 | 1844.61 | 1858.87 | 1848.84 | 2190.10 |
| 59 | 500 SHARE INDEX (500) | 1030.93 | +0.4 | 8.85 | 4.10 | 12.77 | 14.34 | 1026.55 | 1032.59 | 1025.75 | 1255.25 |
| 61 | FINANCIAL GROUP (122) | 702.56 | +0.4 | -- | 4.76 | -- | 14.08 | 699.65 | 695.53 | 692.50 | 760.03 |
| 62 | Banks (8) | 673.41 | +0.3 | 21.14 | 6.05 | 6.34 | 18.03 | 670.06 | 668.04 | 662.39 | 792.22 |
| 65 | Insurance (Life) (8) | 1021.30 | +0.3 | -- | 4.91 | -- | 24.97 | 1017.96 | 1008.46 | 994.41 | 1087.88 |
| 66 | Insurance (Composite) (7) | 534.58 | +0.5 | -- | 5.53 | -- | 13.82 | 531.78 | 532.67 | 530.70 | 554.70 |
| 67 | Insurance (Brokers) (7) | 975.36 | +0.4 | 10.02 | 6.53 | 12.94 | 26.67 | 971.80 | 971.86 | 977.79 | 1192.34 |
| 68 | Merchant Banks (11) | 375.86 | -0.4 | -- | 3.70 | -- | 3.94 | 377.32 | 356.65 | 351.82 | 385.44 |
| 69 | Property (51) | 1228.41 | +0.3 | 4.82 | 2.61 | 26.60 | 11.21 | 1224.36 | 1219.34 | 1224.46 | 1158.32 |
| 70 | Other Financial (30) | 387.35 | +0.0 | 8.84 | 4.80 | 12.77 | 5.96 | 384.27 | 383.41 | 383.51 | 497.22 |
| 71 | Investment Trusts (81) | 881.23 | +0.5 | -- | 2.98 | -- | 18.24 | 876.60 | 877.55 | 875.93 | 1040.18 |
| 81 | Mining Finance (2) | 534.00 | +0.3 | 9.03 | 3.52 | 12.51 | 8.12 | 533.21 | 539.41 | 529.74 | 510.38 |
| 91 | Overseas Traders (8) | 1134.27 | +0.4 | 8.86 | 4.93 | 12.07 | 27.23 | 1129.53 | 1138.80 | 1142.22 | 1046.86 |
| 99 | ALL-SHARE INDEX (713) | 944.98 | +0.4 | -- | 4.17 | -- | 14.09 | 940.97 | 944.69 | 938.84 | 1121.81 |

| | Index No. | Day's Change | Day's High | Day's Low | Jun 7 | Jun 6 | Jun 3 | Jun 2 | Jun 1 | Year ago |
|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 SHARE INDEX ♦ | 1828.2 | +8.0 | 1828.2 | 1813.3 | 1820.2 | 1832.7 | 1810.2 | 1810.3 | 1805.7 | 2256.1 |

### FIXED INTEREST

| | PRICE INDICES | Wed Jun 8 | Day's change % | Tue Jun 7 | xd adj. today | xd adj. 1988 to date |
|---|---|---|---|---|---|---|
| | British Government | | | | | |
| 1 | 5 years | 122.92 | +0.19 | 122.89 | 0.20 | 5.20 |
| 2 | 5-15 years | 141.20 | +0.18 | 141.06 | 0.12 | 5.09 |
| 3 | Over 15 years | 149.67 | +0.06 | 149.59 | -- | 6.28 |
| 4 | Irredeemables | 166.26 | +0.02 | 166.22 | -- | 6.31 |
| 5 | All stocks | 137.59 | +0.16 | 137.49 | 0.13 | 5.32 |
| | Index-Linked | | | | | |
| 6 | 5 years | 127.67 | -0.01 | 127.68 | -- | 0.51 |
| 7 | Over 5 years | 120.97 | +0.11 | 120.84 | -- | 1.18 |
| 8 | All stocks | 121.34 | +0.10 | 121.23 | -- | 1.12 |
| 9 | Debentures & Loans | 118.80 | ...... | 118.80 | -- | 5.86 |
| 10 | Preference | 93.37 | +0.29 | 93.09 | -- | 3.22 |

| | AVERAGE GROSS REDEMPTION YIELDS | | Wed Jun 8 | Tue Jun 7 | Year ago (approx.) |
|---|---|---|---|---|---|
| | British Government | | | | |
| 1 | Low | 5 years | 8.83 | 8.87 | 7.82 |
| 2 | Coupons | 15 years | 9.16 | 9.18 | 8.60 |
| 3 | | 25 years | 9.01 | 9.01 | 8.61 |
| 4 | Medium | 5 years | 9.27 | 9.33 | 8.63 |
| 5 | Coupons | 15 years | 9.37 | 9.39 | 8.85 |
| 6 | | 25 years | 9.18 | 9.20 | 8.85 |
| 7 | High | 5 years | 9.36 | 9.41 | 8.87 |
| 8 | Coupons | 15 years | 9.51 | 9.53 | 8.97 |
| 9 | | 25 years | 9.23 | 9.25 | 8.78 |
| 10 | Irredeemables† | | 9.05 | 9.08 | 8.72 |
| | Index-Linked | | | | |
| 11 | Inflation rate 5% | 5yrs. | 2.72 | 2.71 | 2.29 |
| 12 | Inflation rate 5% | Over 5 yrs. | 3.83 | 3.83 | 3.58 |
| 13 | Inflation rate 10% | 5 yrs. | 1.77 | 1.76 | 1.89 |
| 14 | Inflation rate 10% | Over 5 yrs. | 3.67 | 3.67 | 3.50 |
| 15 | Debs & | 5 years | 10.23 | 10.23 | 9.60 |
| 16 | Loans | 15 years | 10.65 | 10.65 | 9.85 |
| 17 | | 25 years | 10.68 | 10.68 | 9.94 |
| 18 | Preference† | | 9.58 | 9.61 | 10.14 |

♦Opening Index 1815.3; 10 am 1813.6; 11 am 1817.1; Noon 1818.3; 1 pm 1819.3; 2 pm 1819.2; 3 pm 1820.8; 3.30 pm 1820.3; 4 pm 1820.6

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p. CONSTITUENT CHANGES: DPCE (5) has been deleted and replaced by ASW Holdings (8). NAME CHANGES: Brown Boveri Kent is now ABB Kent.

## LONDON TRADED OPTIONS

| Option | | Calls Jul. | Calls Oct. | Calls Jan. | Puts Jul. | Puts Oct. | Puts Jan. |
|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | |

| Option | | Calls Aug. | Calls Nov. | Calls Feb. | Puts Aug. | Puts Nov. | Puts Feb. |
|---|---|---|---|---|---|---|---|
| LASMO (*458) | 390 | 82 | 98 | 108 | 6 | 15 | 23 |
| | 420 | 61 | 77 | 90 | 14 | 23 | 32 |
| | 460 | 35 | 55 | 70 | 32 | 44 | 53 |
| [illegible] | | | | | | | |

June 8 Total Contracts 27,617 Calls 19,286 Puts 8,331
FT-SE Index Calls 793 Puts 949
*Underlying security price.

## LONDON RECENT ISSUES

### EQUITIES

| Issue Price p | Amount Paid up | Latest Renunc. date | 1988 High | 1988 Low | Stock | Closing Price p | + or - | Net Div. | Times Cov'd | Gross Yield | P.E. Ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | F.P. | - | 80 | 63 | *ASB Barnett Kleinings 2p | 80 | +9 | | | | |
| 150 | F.P. | - | 159 | 153 | ASW Hldgs. 25p | 159 | +4 | W7.3 | 2.5 | 6.1 | 8.7 |
| §280 | F.P. | - | 280 | 280 | Anglesey Mining Units 5p | 280 | | | | | |
| - | F.P. | - | 2½ | 1¼ | *Barbican Hldgs. 1p | 1¼ | | | | | |
| 330 | 120 | - | 80 | 64 | British Petroleum | 70 | -1½ | R12.5 | 1.5 | 6.0 | 11.9 |
| [illegible] | | | | | | | | | | | |

### FIXED INTEREST STOCKS

| Issue Price £ | Amount Paid up | Latest Renunc. date | 1988 High | 1988 Low | Stock | Closing Price £ | + or - |
|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | |

### "RIGHTS" OFFERS

| Issue Price p | Amount Paid up | Latest Renunc. Date | 1988 High | 1988 Low | Stock | Closing Price p | + or - |
|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | |

[illegible]

# WORLD STOCK MARKETS

## CANADA

TORONTO
2pm Prices June 8

## OVER-THE-COUNTER

Nasdaq national market, 3pm Prices June 8

Continued from page 41

## CHIEF LONDON PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

| RISES | | | |
|---|---|---|---|
| Amstrad | 180 | + | 18 |
| Brit. & Comm. | 283 | + | 8 |
| Cadbury Schweppes | 406 | + | 7 |
| Coloroll | 191 | + | 9 |
| Dalgety | 334 | + | 12 |
| Enterprise Oil | 458 | + | 13 |
| Glaxo | 1130 | + | 12 |
| Granada | 323 | + | 10 |
| Hardanger Prop. | 720 | + | 25 |
| Harrisons & Cros. | 630 | + | 13 |
| Heath (C.E.) | 424 | + | 8 |
| Legal & General | 290 | + | 8 |
| Lex Service | 389 | + | 11 |
| Lister | 124 | + | 11 |
| LASMO | 458 | + | 8 |
| Lucas Inds. | 828 | + | 15 |
| Rowntree | £10 7/16 | + | 3/8 |
| Vibroplant | 783 | + | 20 |
| FALLS | | | |
| Automated Security | 237 | – | 8 |
| Reed Intl. | 407 | – | 16 |

## TOKYO – Most Active Stocks
Wednesday, 8 June, 1988

| | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|
| NKK | 172.37m | 504 | uch |
| Kobe Steel | 153.14m | 437 | +29 |
| Kawasaki Steel | 130.71m | 535 | uch |
| Ishikawajima-Harima Heavy Industries | 99.82m | 979 | +28 |
| Nippon Steel | 84.18m | 504 | uch |
| Sumitomo Metal | 59.94m | [illegible] | [illegible] |
| Mitsubishi Electric | 58.71m | [illegible] | [illegible] |
| Mitsubishi Heavy Ind | 55.66m | [illegible] | [illegible] |
| Toray | 53.55m | [illegible] | [illegible] |
| Kawasaki Heavy Ind | 41.80m | [illegible] | [illegible] |



## INDICES

### NEW YORK — DOW JONES

| | Jun 7 | Jun 6 | Jun 3 | Jun 2 | 1988 High | 1988 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|---|
| ♦Industrials | 2054.59 | 2075.21 | 2071.30 | 2052.45 | 2110.08 (12/4) | 1879.14 (20/1) | 2722.42 (25/8/87) | 41.22 (2/7/32) |
| Home Bonds | 87.86 | 87.65 | 87.76 | 87.58 | 91.25 (3/3) | 86.12 (4/1) | – | – |
| Transport | 854.24 | 857.97 | 854.24 | 847.67 | 904.12 (23/3) | 737.57 (21/1) | 1101.16 (14/8/87) | 12.32 (8/7/32) |
| Utilities | 177.04 | 177.99 | 178.34 | 177.45 | 190.02 (29/1) | 167.26 (20/4) | 227.83 (22/1/87) | 10.50 (8/4/32) |

♦Day's High 2082.86 (2083.93) Low 2042.85 (2075.21)

| STANDARD AND POOR'S | Jun 7 | Jun 6 | Jun 3 | Jun 2 | 1988 High | 1988 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|---|
| Composite† | 265.17 | 267.05 | 266.45 | 265.33 | 271.55 (13/4) | 242.63 (20/1) | 336.77 (25/8/87) | 4.40 (1/6/32) |
| Industrials | 306.54 | 308.57 | 307.58 | 306.36 | 316.53 (13/4) | 277.86 (20/1) | 393.17 (25/8/87) | 3.62 (21/6/32) |
| Financials | 23.91 | 24.13 | 24.03 | 23.91 | 24.13 (7/6) | 21.51 (8/1) | 32.43 (25/8/87) | 8.64 (1/10/74) |
| NYSE Composite | 149.68 | 150.55 | 150.31 | 149.67 | 153.20 (13/4) | 136.72 (20/1) | 187.99 (25/8/87) | 4.46 (25/4/42) |
| Amex Mkt. Value | 302.61 | 301.94 | 300.88 | 299.08 | 306.59 (12/4) | 262.76 (12/1) | 365.01 (13/8/87) | 29.31 (9/12/72) |
| NASDAQ OTC Comp | 379.32 | 379.34 | 376.86 | 374.65 | 383.41 (13/4) | 331.97 (12/1) | 455.26 (26/8/87) | 54.87 (31/10/72) |

| | Jun 3 | May 20 | May 13 | year ago (approx.) |
|---|---|---|---|---|
| Dow Industrial Div. Yield | 3.58 | 3.68 | 3.6 | 2.89 |
| | Jun 1 | May 25 | May 18 | year ago (approx.) |
| S & P Industrial div. yield | 3.64 | 3.29 | 3.30 | 2.52 |
| S & P P/E ratio | 14.33 | 13.29 | 13.21 | 23.17 |

TRADING ACTIVITY †Volume

| Millions | Jun 7 | Jun 6 | Jun 3 |
|---|---|---|---|
| New York | 168.710 | 153.092 | 189.600 |
| Amex | 10.603 | 8.610 | 9.684 |
| OTC | 140.753 | 109.974 | 119.368 |

| NEW YORK | Jun 7 | Jun 6 | Jun 3 |
|---|---|---|---|
| Issues Traded | 1,982 | 1,952 | 1,954 |
| Rises | 634 | 850 | 936 |
| Falls | 872 | 626 | 536 |
| Unchanged | 476 | 476 | 482 |
| New Highs | 38 | 24 | 18 |
| New Lows | 6 | 6 | 7 |

### CANADA

| TORONTO | Jun 7 | Jun 6 | Jun 3 | Jun 2 | 1988 High | 1988 Low |
|---|---|---|---|---|---|---|
| Metals & Minerals | 3018.2 | 3009.2 | 2950.6 | 2919.0 | 3018.2 (8/6) | 2238.7 (8/2) |
| Composite | 3332.6 | 3340.4 | 3325.0 | 3306.4 | 3402.4 (12/4) | 2977.9 (8/2) |
| MONTREAL Portfolio | 1636.90 | 1644.08 | 1638.45 | 1631.63 | 1683.54 (12/4) | 1305.06 (27/1) |

### NEW YORK ACTIVE STOCKS

| Tuesday | Stocks traded | Closing price | Change on day |
|---|---|---|---|
| Occidental Pet | 6,050,700 | 26⅜ | – ⅛ |
| Navistar Intl | 4,528,900 | 7 | + ⅛ |
| Varity | 4,345,800 | 3⅝ | + ⅛ |
| Chemical Bank | 2,535,700 | 43 | + ⅞ |
| Motorola | 2,026,600 | 49⅞ | + ⅛ |
| Texaco | 1,892,900 | 51 | + ⅛ |
| Advanced Micro | 1,757,600 | 15⅜ | – ⅛ |
| IBM | 1,731,900 | 113⅞ | – ⅛ |
| Nat Semicondtrs | 1,707,800 | 14⅜ | – ⅛ |
| Ford Motor | 1,524,900 | 50⅛ | – ⅛ |

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 industrials plus 40 utilities, 40 Financials and 20 transports. (c) Closed. (u) Unavailable.

| | June 8 | June 7 | June 6 | June 3 | 1988 High | 1988 Low |
|---|---|---|---|---|---|---|
| AUSTRALIA All Ordinaries (1/1/80) | 1591.3 | 1596.5 | 1599.8 | 1581.7 | 1599.8 (6/6) | 1170.7 (10/2) |
| All Mining (1/1/80) | 823.8 | 825.3 | 822.5 | 796.1 | 825.3 (7/6) | 532.4 (10/2) |
| AUSTRIA Credit Aktien (30/12/84) | 172.86 | 172.78 | 173.37 | 173.36 | 178.92 (21/3) | 163.98 (11/2) |
| BELGIUM Brussels SE (1/1/84) | 4854.1 | 4812.2 | 4791.9 | 4740.5 | 5043.1 (9/3) | 3608.35 (4/1) |
| DENMARK Copenhagen SE (3/1/83) | 215.95 | 213.76 | 213.44 | 213.36 | 215.95 (8/6) | 180.68 (4/1) |
| FINLAND Unitas General (1975) | 712.2 | 714.5 | 714.6 | 713.6 | 714.6 (6/6) | 530.6 (15/1) |
| FRANCE CAC General (31/12/82) | 340.4 | 338.3 | 338.3 | 338.2 | 340.9 (1/6) | 251.3 (29/1) |
| Ind. Tendance (31/12/87) | 126.7 | 126.3 | 125.7 | 123.5 | 126.7 (8/6) | 89.7 (29/1) |
| GERMANY FAZ Aktien (31/12/58) | 459.94 | 462.22 | 464.06 | 462.61 | 476.37 (18/3) | 396.40 (29/1) |
| Commerzbank (1/12/53) | 1398.7 | 1405.5 | 1412.9 | 1407.8 | 1457.5 (18/3) | 1207.9 (29/1) |
| HONG KONG Hang Seng Bank (31/7/64) | 2608.98 | 2587.03 | 2590.39 | 2568.35 | 2684.13 (14/4) | 2223.56 (8/2) |
| ITALY Banca Com. Ital. (1972) | 477.52 | 474.57 | 479.23 | 480.79 | 545.07 (18/3) | 423.91 (9/2) |
| JAPAN** Nikkei (16/5/49) | 27912.65 | 27967.32 | 27996.24 | 27821.54 | 27996.24 (6/6) | 21217.04 (4/1) |
| Tokyo SE New (4/1/68) | 2182.53 | 2185.18 | 2183.79 | 2166.28 | 2213.08 (2/5) | 1690.44 (4/1) |
| NETHERLANDS ANP-CBS General (1970) | 249.0 | 249.5 | 251.6 | 249.2 | 260.3 (24/2) | 205.7 (4/1) |
| ANP-CBS Industrial (1970) | 205.9 | 206.2 | 207.1 | 205.5 | 211.7 (14/4) | 157.9 (11/1) |
| NORWAY Oslo SE (4/1/83) | 402.8 | 404.06 | 407.60 | 401.59 | 412.04 (11/4) | 327.78 (29/1) |
| SINGAPORE Straits Times Ind. (30/12/66) | 1040.51 | 1031.19 | 1035.12 | 1023.90 | 1040.51 (8/6) | 833.60 (4/1) |
| SOUTH AFRICA JSE Gold (28/9/78) | 1345.0 | 1356.0 | 1361.0 | 1317.0 | 1361.0 (6/6) | 1154.0 (4/5) |
| JSE Industrial (28/9/78) | 1595.0 | 1595.0 | 1602.0 | 1588.0 | 1658.0 (25/5) | 1387.0 (12/2) |
| SPAIN Madrid SE (30/12/85) | 294.38 | 295.17 | 294.93 | 291.34 | 295.17 (7/6) | 226.50 (4/1) |
| SWEDEN Jacobson & P. (31/12/56) | 2975.9 | 2985.3 | 2997.9 | 2975.2 | 2997.9 (6/6) | 2148.5 (4/1) |
| SWITZERLAND Swiss Bank Ind. (31/12/58) | 527.5 | 527.0 | 528.6 | 523.7 | 539.5 (18/3) | 466.6 (13/1) |
| WORLD M.S. Capital Intl. (1/1/70) | (u) | 456.5 | 456.4 | 454.0 | 463.4 (13/4) | 401.0 (21/1) |

**Saturday June 4: Japan Nikkei 27906.48. TSE 2177.51

♦ Subject to official recalculation

Base values of all indices are 100 except Brussels SE – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

*Closing Prices June 8*

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

| 12 Month High | 12 Month Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| | | – A – A – A – | | | | | | | | |
| 26 | 14 | AAR s | .36 | 1.5 | 20 | 240 | 24¾ | 24¼ | 24¼ | – ¼ |
| 12⅞ | 9¾ | ACMIn | s1.09e | 9.3 | | 633 | 11¾ | 11½ | 11¾ | + ¼ |
| 12¼ | 10¼ | ACMSc | n1.28 | 11. | | 870 | 11¼ | 11⅛ | 11⅛ | |
| 19⅞ | 10 | ACMSp s | | | | 719 | 16 | 16 | 16 | |
| 27 | 19½ | AGS | | | 20 | 2902 | 29½ | 25⅛ | 25⅛ | + ⅛ |
| 7⅞ | 2⅝ | AMCA | | | | 37 | 2¼ | 2¾ | 2¾ | + ¼ |
| 9⅝ | 3¼ | AM Intl | | | | 508 | 3⅞ | 3¾ | 3¾ | – ¼ |
| 29⅞ | 17 | AM Int pf | 2 | 10. | | 1 | 19⅞ | 19⅞ | 19½ | |
| 65⅞ | 25¼ | AMR | | | 11 | 7771 | 46⅞ | 46⅛ | 46½ | + 1½ |
| 11⅞ | 5¾ | ARX | | | 11 | 588 | 9⅞ | 8½ | 8¾ | + ⅛ |
| 72⅞ | 46¼ | ASA | | 0 | 6.6 | 615 | 45⅜ | 44⅞ | 45⅜ | – ¼ |
| 22⅞ | 9½ | AVX | | | 10 | 159 | 17⅞ | 17½ | 17⅝ | + ⅛ |
| 66⅞ | 40 | AbtLab | 1.20 | 2.7 | 18 | 9759 | 45⅜ | 44½ | 45¼ | + ⅞ |
| 26 | 15⅞ | Abitibi g | 1 | | | 47 | 18⅞ | 18¼ | 18¼ | + ¼ |
| 16¾ | 8½ | AcmeC | .40 | 3.6 | | 57 | 11⅞ | 11 | 11⅞ | + ¼ |
| 10½ | 6⅝ | AcmeE | .32b | 4.6 | 22 | 12 | 7 | 6⅞ | 7 | + ⅛ |
| 29 | 14⅛ | AdaEx | 3.05e | 18. | | 85 | 15¾ | 15¾ | 15¾ | + ⅛ |
| 16¾ | 6⅞ | AdamMl | .24 | 1.5 | 13 | 46 | 16½ | 15½ | 16½ | |
| 24⅞ | 7½ | AMD | | | | 17983 | 16½ | 16 | 16⅛ | + ½ |
| 95¾ | 29¼ | AMD pf | 3 | 7.0 | | 4 | 42⅝ | 42¼ | 42⅝ | + ⅝ |
| 11⅞ | 4⅞ | Adobe | | | 13 | 531 | 6⅞ | 7¾ | 6 | + ⅛ |
| 21¾ | 17½ | Adob pf | 2.40 | 11. | | 4 | 21¼ | 21⅝ | 21¾ | + ¾ |
| 13¼ | 5⅞ | Advest | .12 | 1.7 | 9 | 440 | 7 | 6⅞ | 7 | + ¼ |
| 64¾ | 39½ | AetnLf | 2.76 | 6.1 | 6 | 2820 | 46¼ | 44½ | 45 | + ⅜ |
| 98 | 90¼ | AetL pfC | 5.45e | 5.9 | | 1 | 93 | 93 | 93 | + 1 |
| 63½ | 41 | AflPub | .40b | .7 | 60 | 450 | 59 | 58¼ | 59 | + 1 |
| 23¾ | 13 | Ahmans | .08 | 5.4 | 11 | 8353 | 16⅞ | 16 | 16¼ | + ⅛ |
| 4⅝ | 1¼ | Aileen | | | | 127 | 3½ | 3¼ | 3⅜ | – ⅛ |
| 53⅞ | 26 | AirPrd | 1 | 2.1 | 12 | 3157 | 47¾ | 43 | 47¼ | + 1⅛ |
| 84½ | 11¼ | AirbFrt | .60 | 3.2 | 36 | 633 | 19 | 18½ | 18 | + ⅝ |
| 18½ | 6¼ | Airgas | | | 77 | 133 | 13¾ | 13⅝ | 13½ | |
| 18¾ | 13¼ | Airlease | 2.30 | 12. | 10 | 12 | 18⅞ | 18⅞ | 18¾ | + ⅛ |
| 27¾ | 20½ | AlaP | pt2.09e | 8.2 | | 6 | 25¾ | 25⅛ | 25⅛ | – ⅛ |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Continued on Page 41

# NYSE COMPOSITE PRICES

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | | | |

Continued from previous Page

# AMEX COMPOSITE PRICES

Closing Prices June 8

| Stock | Div. | P/E | Sls 100s | High | Low | Close | Chng |
|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | |

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# OVER-THE-COUNTER

Nasdaq national market, 3pm Prices June 8

| Stock | Div. | Sales 100s | High | Low | Last | Chng |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

Continued on Page 39

FINANCIAL TIMES

Thursday June 9 1988

AMERICA

# Dividend-related issues lift volume as Dow rebounds

## Wall Street

EQUITIES AND bonds bounced back yesterday, registering strong gains which took the Dow Jones Industrial Average very near to its post-crash high, *writes Janet Bush in New York.*

The Dow closed 48.36 points higher at 2,102.95, within only a few points of its post-crash high of 2,110.08 on April 12. Volume shot up with more than 310m shares changing hands. However, a significant proportion of trading centred on various stocks due to go ex-dividend.

The New York Stock Exchange's limits on the use of its Superdot system for stock index arbitrage went into effect during the afternoon as the Dow registered a gain in the session of 50 points.

Pacific Gas & Electric, which has a dividend yield of 12 per cent and goes ex dividend today was by far the most active issue on the New York Stock Exchange. By noon, more than 94m shares had been traded in Pacific Gas & Electric alone.

Traders said they did not see evidence of much more active participation by institutions or individual investors despite the much better tone which emerged in the market last week. However, some genuine buying was seen during the afternoon as the Dow's rise gathered momentum and there does seem to be a sense of confidence building up.

The bond market has spent the week almost exclusively focussing on the Commodity Research Bureau's futures index. A ½ point surge in the index on Tuesday morning appeared to be the main reason behind a ¼ point fall in bond prices and yesterday a decline of nearly three points in the CRB helped push prices ½ point higher.

By late trading, the CRB index was down nearly four points, and prices were up more than a full point. The Treasury's benchmark 30-year issue was quoted 1 1/6 point higher.

The sharp rise and fall in both markets on successive days this week provides evidence of how nervous the mood is. Inflation remains the main issue. The CRB is dominated by the bond market and both bond and equity traders are highly nervous about tomorrow's producer prices figures.

The consensus forecast is for a rise of 0.4 per cent in May, the gain recorded in April. However, some forecasters are looking for a rise of 0.8 per cent, and there were rumours in the market on Tuesday that prices may have risen by as much as 0.7 per cent.

Figures released yesterday by the Department of Commerce on wholesale trade in April provided evidence of a softening in domestic demand compared with March. Trade fell between the two months, and there was also tentative evidence of a build-up in inventories.

Traders are keeping a careful eye on the dollar with sensitivities about the currency particularly sharpened in the run-up to next week's US merchandise trade figures for April. Forecasters are looking for a deficit of between $12bn and $14bn compared with the shortfall of $9.7bn in March.

Today the Commerce Department is due to release seasonally-adjusted monthly trade figures for 1986, 1987 and for the first three months of this year. Next Tuesday's trade figures will be seasonally adjusted.

Among featured stocks on the equity market were Macmillan, which was quoted $¼ higher at $75¾. Macmillan rejected a sweetened takeover bid of $73 a share from the Robert M. Bass Group which has also offered to restructure the company on more favourable terms than Macmillan had proposed.

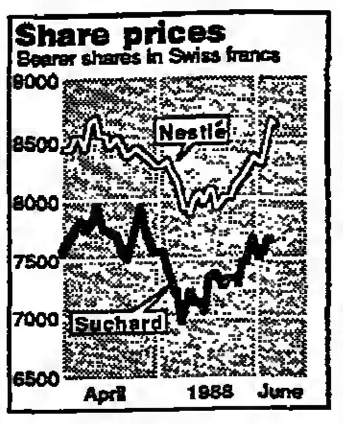
Murray Ohio Manufacturing rose $1⅞ to $63⅞ after the company said it was talking to third parties about a possible takeover to rival the offer for the company by Electrolux.

## Canada

A surging New York stock market firmed share prices here although activity was moderate. Firmer US bond markets ignited the New York rally.

Toronto's 300 composite index ended at 3,366.53, up 33.98, as advancing issues led declines 419 to 343. Volume totalled 23,450,000 shares compared with 25,790,000 on Tuesday, and the value of trading amounted to C$299.8m compared with C$328.2m.

The market's advance was broadly based, with mining issues up 1 per cent on index, industrial products up 2.4 per cent, forest products up 2.1 per cent, consumer products up 1.3 per cent, financial services up 1.2 per cent and oils up 1.4 per cent. Gold-mining stocks slumped on a weakening bullion price.




FOOD is still the focus for Swiss thought, as Nestlé and Jacobs Suchard continue the fight for UK sweet maker Rowntree.

Food giant Nestlé, which fell to a post-bid low on May 15 – after which, fears of UK Government intervention receded – has since seen its bearers rise SFr740 to SFr8,640, up SFr20 yesterday after Tuesday's bid extension.

Bearers of chocolate maker Suchard – expected to publish its formal offer in the next few days – have gained SFr700 from May 9, their lowest point since its April 13 dawn raid. Yesterday they lost SFr25 to SFr7,650.

The Credit Suisse index yesterday edged down 0.2 to 451.8.

SOUTH AFRICA

GOLD stocks eased in Johannesburg yesterday as the bullion price declined, but afternoon buying propped them up a little and they ended off their lows.

Randfontein lost R10 to R252 and Val Reefs shed R3.50 to R278.50.

Mining financials and diamond shares followed suit, with Anglo American falling 75 cents to R52.50 and De Beers dropping R1 to R36.50.

EUROPE

# Overseas demand leads to late rally

OVERSEAS buying helped reverse earlier losses in Frankfurt, Paris and Amsterdam, where morning profit-taking cut into recent rises, and most European bourses closed higher.

FRANKFURT saw profit-taking in early trading but closed higher after overseas institutions stepped up their buying in the afternoon.

The firmer dollar, which rose in afternoon trading to DM1.718, also aided sentiment, with chemicals and cars ending mostly higher. The midday FAZ, which did not reflect the late rally, was 2.28 lower at 459.94.

Special situation stocks were popular, with paper and engineering stock Feldmühle Nobel reaching a 1988 high of DM309.50, up DM16, in anticipation of an unprecedented hostile tender offer. Volume was heavy at about 200,000 shares.

Utility RWE, which fell initially on Monday's news of its purchase of Deutsche Texaco, found DM9.50 to close at DM208.50, and retailer Kaufhof, which confirmed it wanted to buy Italian retailer Standa from the Montedison-Ferruzzi group, added DM1 to DM390.

## London

THE strong opening on Wall Street gave a much-needed boost to shares in London and the FT-SE 100 index closed 8 higher at 1,828.2. International blue chips were marked higher in line with American Depositary Receipts in New York.

Bonds closed little changed, with the 6⅛ per cent 1998 unit yielding a steady 6.56 per cent.

PARIS gained ground in afternoon trading after opening mixed, with the session seeing continued strong demand for Perrier and luxury goods group LVMH.

The CAC index, based on opening prices, eased 1 from Tuesday's 1988 high to 340.4.

Perrier rose FFr33 to FFr888 amid reports of stakebuilding, LVMH added FFr20 to FFr2,500, and rumours of a large contract pushed Avions Marcel Dassault FFr46 higher to FFr791.

Pernod, which heard that a Paris court had ordered Coca-Cola of the US to comply with its French production and distribution agreement with Pernod, found FFr3 to FFr939.

AMSTERDAM was encouraged by the slightly higher dollar and opening gains on Wall Street, and share prices made a late rise in thin trading. Overseas investors were the main players, unworried by the possible split in the Dutch Government.

The ANP-CBS index, computed at midsession, slipped 0.5 to 249.

Chemical company Akzo, which announced it had agreed to acquire the fine chemicals division of Ferrosan of Denmark, moved up Fl 2.70 to Fl 116.80.

Airline stock KLM gained 30 cents to Fl 35.80 after Sabena of Belgium confirmed on Tuesday that the two airlines, together with Swissair, were discussing a joint venture.

BRUSSELS finished higher in moderate trading, with the stock market index climbing 41.9 to 4,854.11.

Blue chip Petrofina was again in demand, rising BFr125 to BFr12,175 with 18,000 shares traded, while chemicals issue Solvay eased BFr25 to BFr12,975.

STOCKHOLM recovered from early losses to finish only slightly lower after a dull day's trading. The Affärsvärlden index inched down 0.1 to 880.2.

Asea B free shares lost SKr3 to SKr375. The West German unit of engineering company Asea Brown Boveri, which Asea jointly owns with Brown Boveri of Switzerland, predicted a fall in 1988 orders and job losses.

Electrolux B shares rose SKr1 to SKr249. The company said it would pursue its bid for Murray Ohio Manufacturing of the US despite its rejection.

MILAN remained quiet in the absence of any fresh news and closed slightly higher with the MIB index adding 8 to 986.

Ferruzzi group stocks gained ground on continued speculation of their possible sale, with retailer Standa up L1,150, or 6.4 per cent, at L19,200 and cement maker Calcestruzzi L600 higher at L10,100.

MADRID fell for the first time in six sessions as profit-taking set in, and the all share index eased 0.79 to 294.38. Bank stock Banesto rose 20 to 1,385 per cent of par after Tuesday's news that a 2 per cent stake was being bought by Carteras Central, part-owned by the Kuwait Investment Office.

# Bombay speculators set exchange alight

BY R C MURTHY IN BOMBAY

SPECULATORS are setting alight Bombay's stock exchange, with blue chip share prices rising 50 per cent since the end of March to a two-year high.

The BSE 30-share index passed the 600-mark last weekend for the first time in about two years and reached 628 yesterday. Daily turnover *has quadrupled* to Rs 1bn over the period.

Activity has been curtailed this week by a strike over wages at the exchange, which opened yesterday for the first time this week in a session lasting just one and a half hours. But stocks continued their upward climb.

Speculators are on the rampage, helping to fuel a rally which chartists say is a bull phase on the Bombay Stock Exchange, India's largest with more than two-thirds of the country's stock turnover.

Just 10 weeks ago investors reacted bearishly at the slightest provocation. The Economic Times All-India share index, one of three indicators, hit the year's low at 218 by March-end and was perilously close to 213.7, the nadir touched last July when markets dropped on fears of political instability following electoral reverses to the ruling party.

Now, favourable news is no longer discounted and the market takes heart from such facts as the *reintroduction of the investment* allowance, abolished two years ago, improved corporate profits and the official forecast of good monsoon rains this year. India's GNP grew by just 2 per cent in 1987/88 following a disastrous monsoon.

Industrial deregulation giving greater scope to private sector, in the eighth five-year development plan starting in 1990, is also seen as good news.

The impetus for the present rally came from a string of concessions to synthetic fibre and textile companies, boosting blue chip company Reliance Industries. The issue, priced at Rs 72 at the start of the year, had soared to Rs 238 yesterday.

Ashley Ashwood

Share prices reap benefit of good monsoon forecast

Other events have contributed to the present rally, including a takeover bid for Associated Cement Companies, India's largest cement group, which has seen its share price double to Rs 250 in four weeks.

Government approval for the expansion and diversification plans of Tata Iron and Steel Company, the market leader on the BSE, has boosted its price by two-thirds in the past 10 weeks to Rs 902.

However, not all of the country's six main stock exchanges are enjoying the rally, which is so far restricted to Bombay – and even there to about 60 active issues. The All-India index has risen by less than a quarter since the end of March, compared with the 50 per cent jump in the BSE 30-share index.

Another cautionary note is found in the fact that speculators dominate the markets at present – the individual investor has yet to return.

BSE authorities are threatening to curb excessive speculation but the restrictions imposed so far are designed to restrict the price rise.

ASIA

# Concern undermines buying interest

## Tokyo

THE NIKKEI average failed for the third day running to close above 28,000, although it again made a brief foray above that level in Tokyo yesterday, *writes Shigeo Nishiwaki of Jiji Press.* The day was dominated by a mixture of strong buying interest and concern over precariously high prices.

The Nikkei average closed 54.67 points down at 27,912.65 after moving between a high of 28,024.20 and a low of 27,880.16 on a turnover of 1.9bn shares, down from the previous day's 2.2bn. Declines outpaced advances by 551 to 352, with 166 issues unchanged.

The Tokyo stock exchange's movements have followed a supply and demand pattern over the past three weeks in the absence of special market-moving factors. Individual investors and business corporations have sought low-priced giant-capital and smaller-capital speculative issues for quick profits, on the recommendations of leading securities companies.

Stocks priced at about Y500 were particularly popular, and many market participants expect them to move steadily above Y1,000.

Concern over the market outlook persists, however, as the Nikkei average climbs daily into uncharted territory.

The list of the 10 most active stocks was dominated by those costing less than Y1,000 yesterday, and their volume accounted for 46.8 per cent of overall turnover.

Among the top 10 issues – mostly steels and shipbuildings – laggards in the large-capitals sector were bought heavily, with Kobe Steel, second busiest with 153m shares, advancing Y29 to Y437. Kawasaki Steel, third busiest with 131m shares, closed unchanged at Y535 after hitting yet another all-time high of Y545. Ishikawajima-Harima Heavy Industries firmed Y28 to Y979.

Real estate issues drew investor interest because of their improved earnings due to large-scale urban development projects, with Mitsuhishi Estate climbing Y190 to Y2,710, Tokyu Land Y15 to Y995 and Mitsui Real Estate Y80 to Y2,180.

Stronger demand for stainless steel boosted related stocks across the board. Nippon Yakin Kogyo gained Y55 to Y915 and Nippon Metal Industry Y17 to Y751.

Tokyo Rope, in contrast, tumbled a maximum Y400 to Y2,510 – its second consecutive maximum loss – on rumours that a group of speculators had sold its shareholding to another speculative group.

Blue-chips stayed out of favour, with Matsushita Electric Industrial slipping Y30 to Y2,530 and Sony Corp falling Y50 to Y5,150. Heavy electricals, which had been recent gainers, closed easier, with Toshiba Corp down Y7 at Y913 and Hitachi off Y20 at Y1,410.

*Bonds* moved little in the absence of news, with dealers and institutional investors keeping a low profile, reflecting persistent anxiety about a possible upsurge of US interest rates.

The yield on the benchmark 5.0 per cent government bond, due in December 1997, finished unchanged at 4.545 per cent in block trading on the Tokyo stock exchange. It later dropped to 4.535 per cent in inter-dealer trading on buying by a big securities company.

Osaka Securities Exchange prices turned down on profit-taking for the first time in nine trading days, with the OSE stock average losing 10.39 to 27,788.14 on a volume of 198m shares, off 21.5m shares.

Bando Chemical Industries slid Y23 to Y750 and Araya Industrial lost Y70 to Y1,380, whereas Izumiya rose Y100 to Y2,460.

TAIPEI bounced back from early losses as the weighted index passed the 4,900 mark for the first time ever, adding 68.37 to end at the day's high of 4,951.58.

## Australia

INSTITUTIONS moved in to pull shares off their lows with selective buying, after downturns on Wall Street and in London on Tuesday had provoked profit-taking in early trading.

The sharp turnround picked up the All Ordinaries index from a low of 1,580.7 to its close at 1,591.3, down 5.2 from the previous day.

Turnover was 141m shares worth A$211m and buying focused on stocks paying fully-franked dividends. Earlier selling come mainly from overseas investors.

MIM rose 9 cents to A$2.03 on *turnover of 7m shares, including* about 3.4m in special sales ranging from A$1.95 to A$2.02. The stock has been performing well in anticipation of approval from the Papua New Guinea Government for the company's gold mining joint venture with Renison and Placer Pacific. Renison eased 30 cents to A$9.70 and Placer Pacific fell 12 cents to A$2.60.

CSR, the building materials, sugar and resources company, was one of the few stocks to close higher, adding 3 cents to A$4.43 after announcing a 28 per cent rise in annual operating profit to A$185m shortly before the end of trading.

Bell Resources lost 9 cents to A$1.63 and Bell Group declined 2 cents to A$2.46.

## Hong Kong

PROPERTY stocks led equities market higher in moderate trading. Sharp rises in real estate prices are attracting increasing numbers of investors to land company stocks.

The Hang Seng index rose 21.95 to 2,608.98 in turnover of HK$1.2bn, up from HK$1.1bn.

In initial trading, prices slipped in response to the overnight fall on Wall Street. However, they started to bounce back as investors took the view that the Wall Street drop had been a technical correction after recent gains.

In the property sector, New World Development rose 30 cents to HK$11.80, Hongkong Land added 10 cents to HK$7.85 and Cheung Kong gained 5 cents to HK$7.50.

ATV moved up 2.5 cents to HK$2.10 amid takeover rumours, while Tai Cheung closed 7.5 cents lower at HK$3.675 before announcing annual net profit of HK$259m, up from the previous year's HK$158m.

## Singapore

SPECULATIVE buying and bargain hunting propelled stocks higher, after the overnight fall on Wall Street created an uneasy mood and prices opened lower.

The Straits Times industrial index rose 3.32 to 1,040.51 in turnover slightly off at 51.2m shares.

Interest focused on marine-related, property and Malaysian change stocks.

Among active issues were property stocks DBS Land, which gained 2 cents to S$1.11 on volume of about 1.9m shares, and NOL, up 1 cent at S$1.58 on 1.4m shares.

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

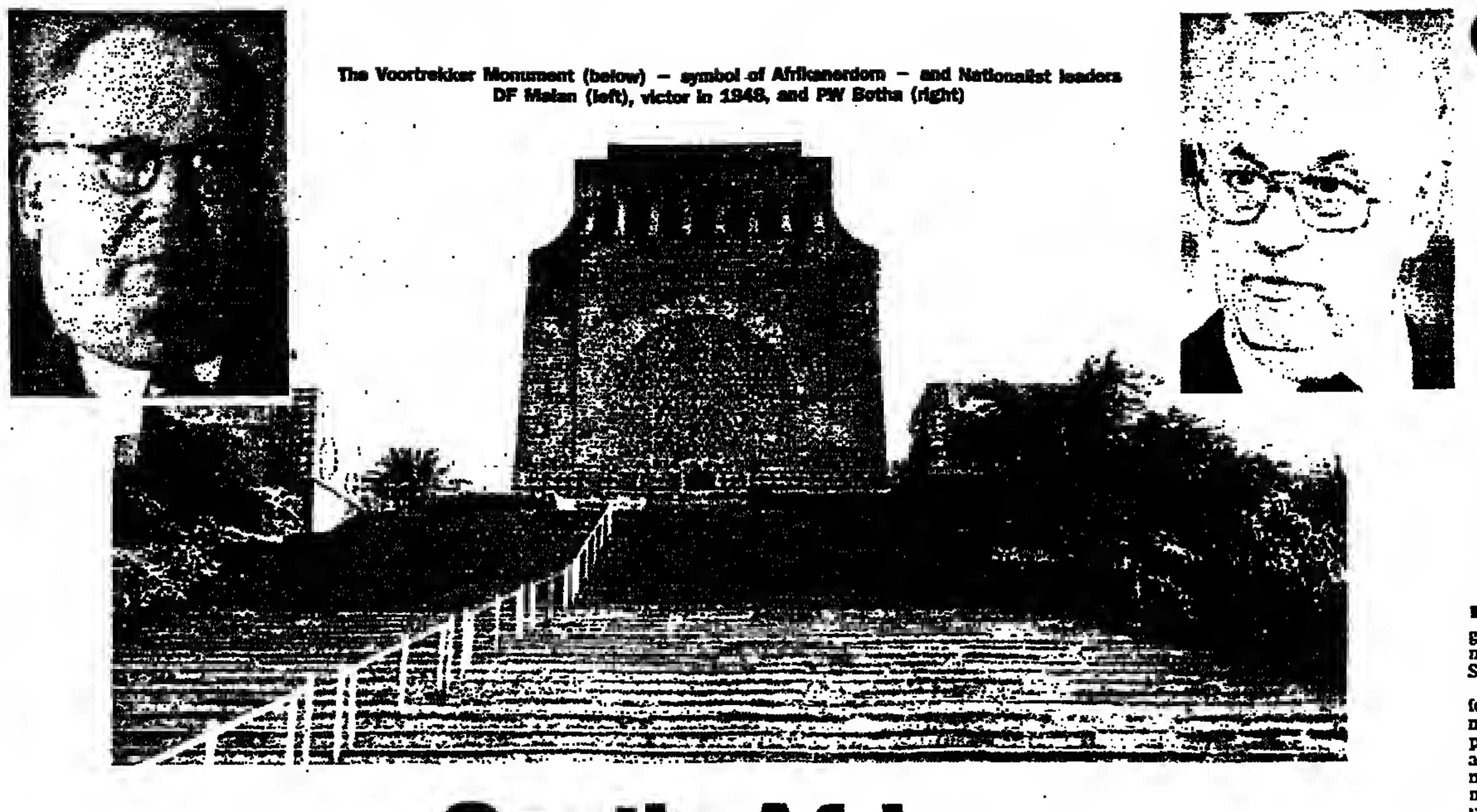
| NATIONAL AND REGIONAL MARKETS | WEDNESDAY JUNE 8 1988 | | | | | TUESDAY JUNE 7 1988 | | | DOLLAR INDEX | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Figures in parentheses show number of stocks per grouping | US Dollar Index | Day's Change % | Pound Sterling Index | Local Currency Index | Gross Div. Yield | US Dollar Index | Pound Sterling Index | Local Currency Index | 1988 High | 1988 Low | Year ago (approx) |
| Australia (88) | 145.11 | +1.0 | 118.34 | 119.53 | 3.74 | 143.62 | 117.51 | 119.93 | 145.74 | 91.16 | 135.02 |
| Austria (16) | 87.77 | -0.1 | 71.58 | 78.26 | 2.62 | 87.85 | 71.88 | 78.23 | 98.18 | 84.35 | 87.98 |
| Belgium (63) | 124.41 | +0.5 | 101.45 | 110.76 | 4.35 | 123.76 | 101.26 | 110.02 | 139.89 | 99.14 | 137.86 |
| Canada (125) | 124.09 | +1.8 | 101.19 | 109.85 | 3.09 | 121.91 | 99.75 | 108.62 | 125.49 | 107.06 | 126.52 |
| Denmark (39) | 130.93 | +1.4 | 106.77 | 116.32 | 2.50 | 129.17 | 105.69 | 114.81 | 130.93 | 111.42 | 119.63 |
| Finland (25) | 137.11 | -0.1 | 111.81 | 117.07 | 1.79 | 137.96 | 112.89 | 117.84 | 137.98 | 106.78 | - |
| France (128) | 97.89 | +1.1 | 79.83 | 89.06 | 3.64 | 96.81 | 79.21 | 87.97 | 97.89 | 72.77 | 108.51 |
| West Germany (99) | 76.96 | -0.8 | 62.76 | 68.76 | 2.70 | 77.55 | 63.45 | 69.14 | 80.79 | 67.78 | 92.34 |
| Hong Kong (46) | 104.93 | +1.1 | 85.57 | 105.23 | 4.35 | 103.79 | 84.92 | 104.14 | 115.81 | 84.90 | 122.05 |
| Ireland (18) | 136.10 | +0.5 | 110.99 | 123.09 | 3.85 | 135.63 | 110.97 | 122.56 | 136.10 | 104.60 | 127.48 |
| Italy (102) | 70.38 | +0.2 | 57.39 | 67.04 | 2.85 | 70.27 | 57.49 | 66.73 | 81.72 | 62.99 | 100.16 |
| Japan (456) | 172.43 | +0.3 | 140.61 | 136.52 | 0.52 | 171.94 | 140.68 | 136.62 | 177.27 | 133.61 | 160.22 |
| Malaysia (36) | 144.14 | +1.0 | 117.54 | 143.03 | 2.55 | 142.77 | 116.82 | 141.81 | 144.14 | 107.83 | 169.28 |
| Mexico (14) | 162.45 | +0.0 | 132.48 | 400.53 | 1.25 | 162.42 | 132.89 | 399.65 | 176.90 | 90.07 | 218.48 |
| Netherland (38) | 105.68 | +0.2 | 86.18 | 93.02 | 4.97 | 105.43 | 86.26 | 92.60 | 110.66 | 95.23 | 117.60 |
| New Zealand (21) | 81.13 | +0.2 | 66.16 | 61.64 | 5.89 | 80.94 | 66.22 | 61.88 | 82.00 | 64.42 | 97.71 |
| Norway (25) | 124.11 | -0.3 | 101.21 | 105.37 | 2.86 | 124.43 | 101.81 | 105.69 | 132.23 | 98.55 | 139.28 |
| Singapore (26) | 119.65 | +0.4 | 97.58 | 111.19 | 2.26 | 119.13 | 97.47 | 110.76 | 119.65 | 97.99 | 142.11 |
| South Africa (60) | 135.12 | -1.3 | 110.19 | 87.84 | 4.99 | 136.91 | 112.02 | 88.54 | 159.07 | 118.16 | 161.41 |
| Spain (42) | 162.92 | +0.3 | 132.86 | 140.02 | 3.08 | 163.05 | 133.41 | 140.08 | 163.05 | 130.73 | 114.23 |
| Sweden (36) | 123.78 | +0.0 | 100.94 | 109.76 | 2.59 | 123.80 | 101.30 | 109.74 | 125.50 | 96.92 | 114.79 |
| Switzerland (55) | 80.95 | +0.5 | 66.02 | 71.42 | 2.39 | 80.53 | 65.89 | 71.34 | 86.75 | 73.60 | 92.24 |
| United Kingdom (327) | 138.18 | +0.8 | 112.68 | 112.68 | 4.31 | 137.10 | 112.18 | 112.18 | 141.18 | 123.09 | 150.69 |
| USA (578) | 110.52 | +2.3 | 90.13 | 110.52 | 3.54 | 108.06 | 88.42 | 108.06 | 110.52 | 99.19 | 121.84 |
| Europe (1013) | 109.53 | +0.4 | 89.32 | 94.10 | 3.77 | 109.05 | 89.22 | 93.77 | 110.71 | 97.01 | 120.62 |
| Pacific Basin (673) | 168.69 | +0.3 | 137.56 | 134.47 | 0.72 | 168.15 | 137.58 | 134.56 | 172.26 | 130.81 | 157.77 |
| Euro-Pacific (1686) | 145.04 | +0.4 | 118.28 | 118.41 | 1.65 | 144.52 | 118.25 | 118.34 | 147.53 | 120.36 | 142.94 |
| North America (703) | 111.24 | +2.2 | 90.71 | 110.49 | 3.51 | 108.80 | 89.02 | 108.11 | 111.28 | 99.78 | 122.08 |
| Europe Ex. UK (686) | 91.76 | +0.1 | 74.83 | 82.48 | 3.28 | 91.63 | 74.97 | 82.27 | 92.81 | 80.27 | 101.96 |
| Pacific Ex. Japan (217) | 123.68 | +1.0 | 100.86 | 108.84 | 3.93 | 122.48 | 100.22 | 108.69 | 123.68 | 87.51 | 127.93 |
| World Ex. US (1885) | 144.23 | +0.4 | 117.62 | 117.94 | 1.72 | 143.68 | 117.56 | 117.84 | 146.49 | 120.26 | 141.61 |
| World Ex. UK (2136) | 130.53 | +1.0 | 106.44 | 115.62 | 2.09 | 129.25 | 105.74 | 114.69 | 130.53 | 111.77 | 132.91 |
| World Ex. So. Af. (2403) | 131.16 | +1.0 | 106.96 | 115.52 | 2.26 | 129.87 | 106.26 | 114.62 | 131.16 | 113.26 | 134.31 |
| World Ex. Japan (2007) | 111.41 | +1.5 | 90.86 | 104.56 | 3.63 | 109.76 | 89.80 | 103.10 | 111.41 | 100.00 | 122.26 |
| The World Index (2463) | 131.19 | +1.0 | 106.99 | 115.34 | 2.30 | 129.92 | 106.30 | 114.45 | 131.19 | 113.37 | 134.48 |

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

SECTION III

# FINANCIAL TIMES SURVEY

**After 40 years of National Party rule South Africa gropes for an alternative to apartheid. As pressures mount at home and sanctions and disinvestment press in from abroad, the future shape of Pretoria's perestroika is obscure, writes Anthony Robinson**



The Voortrekker Monument (below) – symbol of Afrikanerdom – and Nationalist leaders DF Malan (left), victor in 1948, and PW Botha (right)

# South Africa

CONTENTS



## White fears, black hopes

FORTY YEARS after the Afrikaner-dominated National Party swept into power at the 1948 elections South Africa is still a "nation in the making". Its remaining divisions on racial lines ara the source of deep-rooted internal conflicts and make it the object of increasing sanctions, disinvestment and other international pressures.

For all its faults, South Africa is also the most dynamic and prosperous country in Africa deeply enmeshed in a complex process of change at all levels. Remaking its society in a non-racial mode, whether under the Nationalists or any other conceivable form of government, is likely to be the work of decades not months – like perestroika in the Soviet Union.

What undermined apartheid was not a white change of heart but economic forces which brought millions of blacks into white urban areas, despite all the laws, humiliation and violence used to keep them out. A major positive result is that South Africa, uniquely on the Continent, now has millions of increasingly skilled and educated urban blacks.

Exposed to the mass media and education, accustomed over three or four generations to industrial discipline and ambitious to fulfil their economic and political potential, it is the expansion and development of this black urban class which provides the key to the future. Its growth into a stable, property-owning, increasingly skilled middle and working class could create the essential middle ground for the building of democracy. A similar socio-economic transformation of Franco's Spain, after all, allowed a democratic transition there only a generation after the Civil War. If black aspirations are frustrated indefinitely, or rudely reversed, the prospects become much darker.

Meanwhile the "Nats" are drifting. Despite the soul-searching of Afrikaner intellectuals and middle class professionals, old-style leaders like President PW Botha cannot bring themselves to ask forgiveness for past crimes or abandon the ethnic or "group" mindset of their past.

As a result they have lost the moral and political support of the Afrikaner intelligentsia, which seeks reconciliation via "rebels" like Mr Wynand Malan and Dr Frederik Van Zyl Slabbert. Perhaps, more to the point, they have also lost the loyalty and votes of the "Afrikaner volk" which once swept them to power and sustained them.

The "volk" might have followed the "Nats" out of their ideological blind alley had it been boldly, confidently and unambiguously led in the direction of a new vision of a prosperous, non-racial future. It was not. Instead, the party fudged the issues, opting to modernise rather than to abolish apartheid. Its "reforms", as a consequence, have proved deeply flawed, offending many but pleasing none.

The tri-cameral segregated parliament, for whites, coloureds and Indians, provoked anger by excluding black participation. The refusal to give real power and a fiscal base to the black local authorities made them powerless targets of black revenge. The rejection of multi-racial power sharing in Natal undermined black and white leaders who sought to put power-sharing into practice.

The expected partial reform, instead of clear cut abolition, of the Group Areas Act later this parliamentary session appears doomed to create new multi-racial slums by restricting the number of "grey areas" and so exaggerating tha influx into them. Faced with the emergence of unofficial black leaders and organisations, the government has fallen back on banning and repression after its initial indecision.

The result is a government without conviction, kept in power by a fragile coalition of middle class Afrikaners and frightened English-speakers, a vast security network and bureaucracy and an autocratic president, insulated from reality. After four uninterrupted decades in power, a bloated bureaucracy demands a tax tribute which has hobbled economic growth. Faced with sanctions, disinvestment and presidential wrath, however, the once vocal business community has kept its head below the parapet. It has welcomed the government's conversion to Thatcherite privatisation and deregulation and is aquiescing in plans to curb the black unions.

Yet it would be unfair to blame all South Africa's historical ills and the unresolved conflict between white fears and black aspirations on tha government alone. For all its faults the NP, like the Soviet Communist Party under its admittedly younger and more dynamic leadership, remains deeply flawed but still the only viable vehicle for changing the system it has created. It still commands the white middle ground and is flanked on either side by "impossible dreamers".

On the Right is the Conservative Party, and para-military Afrikaner Weerstandsbeweging (AWB), itching to turn the clock back 40 years. On the Left is the African National Congress (ANC), still theoretically committed to the violent overthrow of the "apartheid regime" and demanding "transfer of power to the majority". Collapse of the middle ground leading to a polarisation of white and black society between these two extreme could lead to unprecedented violence.

The Right won 30 per cent of the vote in the May 1987 whites-only elections and twice that percentage in three Transvaal "Platteland" by-election victories in March. The CP is the old National Party of the 1940s. It appeals to all those who either do not like or do not understand the fact that the economy and South African society has radically changed in the meantime. It believes in taking Dr Hendrik Verwoerd's grand apartheid vision to its logical conclusion. This means partition of the country into a whites-only homeland – containing most of the mines, farming land, industry and wealth – linked to economically-subservient black "states".

The CP says it would deprive all blacks of their South African citizenship and abolish all the Botha-era reforms. It assumes that millions of blacks will passively allow themselves to be transported to their new "countries" and accept re-imposition of the pass laws, influx control and deprivation of their newly-won property and other rights.

At the other end of the spectrum sits the banned African National Congress. Its leaders are in jail or in exile but it is still perceived by millions of ordinary blacks as the embodiment of their desire for justice. Exile, however, has not been kind to the ANC. Forced underground in 1960 it has taken on the organisational structure and conspiratorial ways which reflect the strong influence of the South African Communist Party (SACP).

Notoriously Stalinist for decades the SACP is now exuding glasnost and perestroika, while the ANC's diplomats like Mr Oliver Tambo and heir-apparent Thabo Mbeki, are seeking to enhance the ANC's reasonable and democratic image. Welcome though this is to many inside and outside South Africa, doubts remain whether this is a matter of conviction or merely a response to a series of major defeats for the military leg of the ANC's four-pronged strategy. This is aimed at isolating South Africa diplomatically and politically, making the townships ungovernable, setting up alternative power structures and, fourthly, waging "armed propaganda" through landmines, grenade attacks and bombs inside South Africa.

The object of this strategy – to force the South African government to negotiate a "transfer of power to the majority" – appears at least as unrealistic now as it did 25 years ago, if not more so. This, at least, is the view of such diverse critics as Zulu Chief Mangosutbu Buthelezi, whose Inkatha movement has been engaged in a bloody proxy war against the ANC in the townships around Pietermaritzburg, and Afrikaner "verligtes" like Dr Van Zyl Slabbert.

The ANC is coming under increasing external diplomatic and internal political pressure to revise its aims and strategy. Its nostalgic attachment to the armed struggle (which brings it into a quixotic conflict with the strongest army and security forces in Africa) is particularly vulnerable to the prospect of a negotiated settlement to the Angolan civil war. This would deprive the ANC of its operational bases.

But, at this stage, a solution to the Angolan war, which opens up new vistas for economic and political co-operation for an entire sub-region devasted by war and de-stabilisation for nearly 15 years, is emerging as one of the few positive straws to clutch at. Given the complexity of the issues, the multiplicity of interests and the depth of suspicion on all sides, a negotiated settlement in Angola would be tantamount to a miracle. Without it, however, it is becoming increasingly difficult to see how the polarisation of South African society and its external isolation can be turned around before the economy, the main engine for change, suffers irreversible damage.

### KEY FACTS

| | |
|---|---|
| Population | 33.2m |
| Area | 1.2sq km |
| GNP per capita | $1,750 |
| GDP | $81.6bn |
| Trade | |
| exports | $14.1bn |
| imports | $21bn |
| current account balance | $3.2bn |
| Structure of merchandise exports | |
| food, beverages, tobacco | $1.3bn |
| precious metals and stones | $1.8bn |
| base metals | $2.3bn |
| mineral products | $1.9bn |
| Structure of merchandise imports | |
| manufactured products | $7.3bn |
| of which machinery and transport | $5.7bn |
| chemical products | $1.5bn |
| Foreign debt as a percentage of GNP | 35.2 |
| Average annual growth rate | 0.5% (1986) |
| Average annual rate of inflation | 16.1% (1987) |

Economy

## Some bright spots in an otherwise sombre picture

SOUTH AFRICA may still have the strongest economy on the Continent but a decade of low growth, rising government expenditure and international pressure has severely reduced its capacity for growth. This was heavily underlined last month when the Reserve Bank upped bank rate to 11.5 per cent and Mr Barend du Plessis, the finance minister, announced a 20 per cent rise in hire purchase deposits and other credit restrictions.

The decision to apply the brakes after a mere six months of rapid credit-fuelled, consumer-led growth was explained as a stitch in time designed to avoid the need to take more drastic action in a few months.

The authorities still remember the traumatic aftermath of the panic moves of July/August 1984 when months of indecision were followed by a 25 per cent prime rate leading to a steep recession. This not only destroyed business confidence for nearly three years but fuelled the township revolt through resulting mass lay-offs and high inflation.

In some ways the 1984/86 recession was the price paid for the delayed adjustment to the post-1981 decline in the gold price. That adjustment has now been made but, in the meantime, the cut-off in foreign capital and the August 1985 partial debt moratorium, coupled with sanctions and disinvestment, have tightened the restraints on the economy.

What made the May package of restrictions inevitable was the need to protect the balance of payments and maintain a surplus from which to repay debt. South Africa, essentially a developing economy, has been forced for political reasons to become a capital exporter. Over the last three years it has repaid more than $4bn of the $24bn it owed in August 1985.

This was made possible by a combination of higher gold prices, rand depreciation and the domestic recession. Depreciation boosted exports while the recession curbed imports. The result was three years of annual current account R5-7bn surpluses.

The fragility of this surplus was exposed, however, when consumer demand suddenly took off in the fourth quarter of 1987. Imports of components and finished products rose so fast that the rand started to push the current account into the red and led to a 12 per cent rand depreciation against the dollar between January and mid-May.

Taken together, rand depreciation, higher interest rates and mounting sanctions could raise inflation from its mid-year 13-14 per cent range, and reduce growth to around last year's 2.5 per cent level. This follows 5 per cent growth at the end of 1987 and slightly less over the first quarter of this year. The enforced slow-down also poses a major question mark over hopes for higher private sector investment after six years of decline.

There are two bright spots in this otherwise sombre picture.

**Skill shortages are a handicap to growth**

The first is the government's apparent conversion to the virtues of privatisation, lower taxes and de-regulation of business in general and black business in particular. The second is growing evidence of continuing vitality in the unofficial "black" economy – in both senses of the word.

Visual evidence, like the take-off in new black housing and building extensions, rapid growth in black small businesses and a more than 20 per cent rise in notes in circulation, all point to a large and growing sector of the economy which creates employment and growth but escapes statisticians still geared to the official "first world" sector.

The sincerity of the government's conversion to the virtues of private enterprise, announced by President PW Botha in his opening of parliament speech in February, still remains to be seen. Business is sceptical. This is partly because of doubts about the government's ability to reverse the bureaucratic proliferation, subsidies and distortions, higher spending on homelands, policemen and soldiers – as well as education and welfare – which has seen the government's share of GDP rise from around 20 to over 30 per cent in less than a decade.

But getting the government off taxpayers' backs is only part of the structural challenge facing the economy if it is to adjust successfully to tightening siege conditions. Recent statistics from the National Productivity Institute show virtual stagnation in the productivity of labour and capital throughout the decade. Labour productivity in manufacturing, for example, rose by 0.6 per cent annually between 1980/86 at a time when productivity in the US rose by 3.9 per cent and Japan by 5.8 per cent.

Part of the reason is, undoubtedly, the legacy of "Bantu education" and apartheid legislation which has left South Africa with a poorly educated black labour force and prevented many who have acquired skills from legally using them. This is particularly so in the mines where the government continues to hedge about the long-promised abolition of the racial limits on advancement to skilled jobs requiring blasting certificates. Shortage of skilled artisans in all areas is a major handicap to growth, as is the emigration of managerial and professional whites.

The inefficient use of labour is made worse by the dismal productivity gains from the investment of capital, South Africa's most scarce resource. Economists believe part of the reason is heavy investment by the public sector in capital-intensive, import-saving projects like the Sasol oil-from-coal plants, the state arms corporation Armscor (now the third-largest export earner after gold and coal) and the Atlantis diesel plant. Another key factor in low productivity growth has been the diversion of investment towards apartheid-inspired industrial projects close to the homelands but far from the natural growth points in the Pretoria-Witwatersrand-Vereeniging (PWV) area on the reef.

The latest "strategic" project of marginal economic viability is the nearly R6bn offshore gas-to-oil conversion project at Mossel Bay. Poor investment decisions by the big state-controlled enterprises which left Eskom, for example, with five new power stations it does not need until the 1990s and the railways with new rolling stock but fewer passengers, also contributed to poor capital productivity. So has wide-spread below-capacity plant utilisation caused by a decade of low growth itself.

That said, much has already been done to improve the efficiency of the state-controlled industries by new management charged with making their businesses more market and profit-oriented. Private business has also emerged leaner and meaner from the recession. Some have been strengthened by the purchase of former foreign-owned assets at cheap prices.

Last year's pre-October new issues boom on the stock exchange and negative real interest rates, meanwhile, has transformed the debt situation for many South African companies. The heavily restructured motor industry has been a principal gainer from the consumer boom, which has also produced record profits for a wide swathe of supermarkets, food and consumer goods industries after three bleak years.

The gold industry, beset by fast-rising costs and labour troubles, had a poor year with declining profits and a 33 tonne drop in output. The same was the case for the coal industry which saw export sales slump as a result of the sanctions-deepened collapse in world prices and the loss of traditional markets.

Looking ahead, the authorities, having dampened the consumer boom, hope that growth will settle down to a sustainable 2-3 per cent range with the emphasis shifting to the fight against inflation and the encouragement of low-import, employment-generating domestic growth based on black urbanisation and "inward industrialisation".

Meanwhile, the search continues for new markets in Taiwan and elsewhere to compensate for the loss of traditional US and European markets where sanctions pressures are expected to build up further if the US Congress passes the Total Disinvestment Bill later this year.

*Anthony Robinson*

The economy will not be fatally weakened

# Sanctions limit growth rate

THE INTERNAL and international debate over sanctions and disinvestment from South Africa has turned the economy into the reluctant battleground of the struggle against apartheid. The downward slide towards the siege economy continues and is likely to accelerate if, as is expected, the US Congress passes the Total Disinvestment Bill later this year.

In one corner are those who oppose sanctions and argue that fast economic growth in a deregulated capitalist economy offers the best chance of incremental black advancement and a future society based on merit not race.

Its supporters include black leaders considered by the authorities to be moderates, such as Zulu Chief Mangosuthu Buthelezi; the big South African corporations; and those remaining foreign companies, including the oil majors, which believe it is essential for South Africa, whatever its future political evolution, to maintain its links with the global economy.

They fear that once foreign investors leave they will never come back to Southern Africa, and point to the lack of foreign investment in post-independence Zimbabwe and the parlous economic state of most other countries in the region.

Influential social scientists, like Mr John Kane-Berman, Director of the Institute of Race Relations, also argue the case for more, rather than less, foreign business involvement in South Africa. In a paper delivered before the US Congress in March, Mr Kane-Berman argued that the first erosion of apartheid dated from the early 1970s when the government, faced with the drying up of the white skilled labour pool because of fast economic growth, chose to train blacks for semi-skilled jobs in hitherto whites-only jobs.

Since then, he argued, the erosion of apartheid laws has followed changes on the ground brought about by economic factors which have made blacks 65 per cent of the economically active population, supplying one third of high-level manpower. On present trends, nearly 80 per cent of high school graduates will be black by the turn of the century. "In my view nothing should be done to retard this steady accumulation of economic power," he said.

Similar views are held by the government's most hostile white liberal critics like Mrs Helen Suzman, the Progressive Federal Party's veteran civil rights watchdog, and by distinguished academics like Ms Merle Lipton, whose recent study for the Economist Intelligence Unit incorporates ideas first explored in her earlier book "Apartheid and Capitalism".

What may be described as the opposing "primacy of politics" school of thought is infinitely more variegated. It brings together some extraordinary bed-fellows, ranging from the late Hendrik Verwoerd; through to Senator Edward Kennedy; the Conservative Party; Archbishop Desmond Tutu; and the Cosatu trade union federation.

It was Hendrik Verwoerd, the architect of grand apartheid theory and practice, who told whites that they had to choose between white supremacy and prosperity. It was an admission that apartheid was an essentially feudal system which would be fatally eroded if capitalism were allowed free rein and blacks were incorporated fully into the economy.

This remains the belief of the present Conservative party which, if it comes to power, promises to abolish the Botha Government's socio-economic reforms by reintroducing influx control and the pass laws and abolishing newly-acquired black property and other rights.

The Conservative Party is also strongly opposed to the government's privatisation plans, seeing the state-controlled industries as sheltered employment for large numbers of Afrikaners and other white voters.

The state-controlled industries, like much of the post-1948 Afrikaner state itself, are monuments to national socialism which have become bastions of grass roots white opposition to black advancement. Somewhat ironically this has not dimmed the enthusiasm of the new black trade unions for more socialism and more nationalisation as called for by the utopian "freedom charter" of 1955. The charter, adopted by the biggest union federation Cosatu at its 1987 congress, calls for nationalisation of mines, banks and major corporations.

Despite the differences in intention, the net result is a convergence of policy between the extreme Right and the Left which, for contrasting reasons, are both suspicious of capitalism and in favour of more "socialism".

Two of the most famous crusaders for disinvestment and economic sanctions are US Senator Edward Kennedy and Archbishop Desmond Tutu. They are flag bearers of the theory that the best and fastest road to black advancement lies through crippling the white-controlled economy to the point where it would force the white government to capitulate to the rightful demands of the black majority.

The viability of this theory is likely to be put to the test if, as now looks likely, the US Congress passes the Total Disinvestment Bill and, if, as Pretoria increasingly fears, Mr Michael Dukakis, backed by the Reverend Jesse Jackson and millions of black voters, becomes president. In May Mr Dukakis was morally endorsed by Archbishop Tutu on one of his hugely successful sanctions-promoting tours abroad.

The most damaging clauses of the Total Disinvestment Bill are those which would deny federal oil leases in the US to foreign oil companies which supply South Africa, and those which demand retaliation against foreign companies which "take advantage" of disinvestment by American companies. A recent example of the new Bill's potential effectiveness was the decision of Japan's Mitsubishi Corporation to withdraw a $600m tender for a steel mill being ordered by the Iron and Steel Corporation (ISCOR).

Faced with a choice between being forced out of the US market and remaining in the globally marginal South African market, there is little doubt which way the remaining 150 or so US companies, including Caltex and Mobil, or multinationals with big US interests like Shell and BP, will jump.

Whether this will hasten the day of "liberation" is another question. The short-term results of disinvestment so far have been to create several new white millionaires and cheap assets for existing white South African-owned businesses to buy. "Buying back the farm" has reduced the dividend outflow but it has also diminished the influence of foreign companies which operated according to the Sullivan or European Community codes of conduct and ran extensive black advancement programmes.

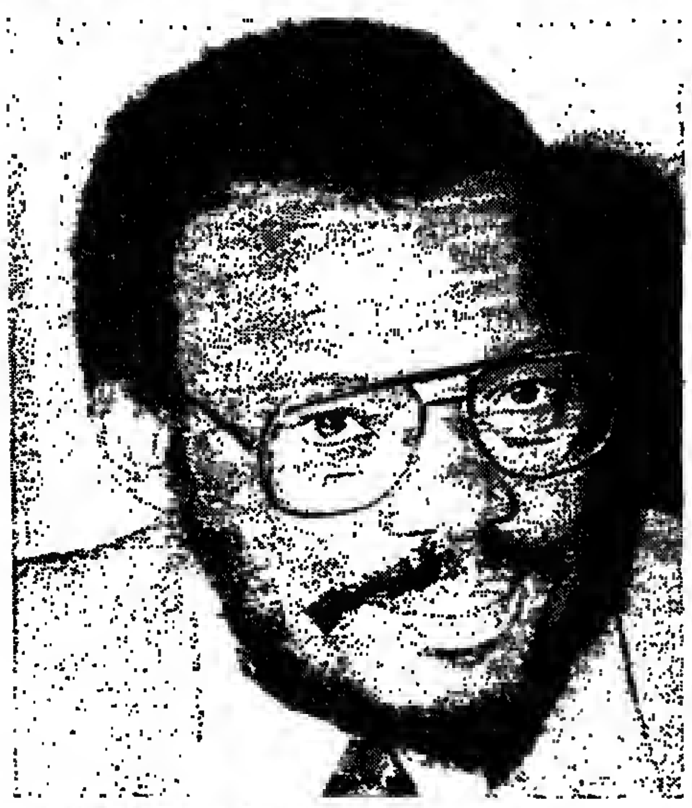
By far the most important negative effect of sanctions, disinvestment and the cut-off of foreign capital since August 1985, has been to place a limit of, effectively, 3 per cent on the economy's growth potential. This is barely enough to compensate for rising population.

Further sanctions in the pipeline could reduce the growth rate even further, unless they force the government to put its own house in order. This would require cuts in the bloated civil service, lower taxes and speeding up both the sale of state assets and de-regulation of the economy. Such a package is now widely seen as the only way to ensure growth in a siege economy.

The balance of evidence suggests that an economy which earns 60 per cent of its foreign exchange from high-value, low-bulk exports which are difficult to embargo like gold, platinum and diamonds, will not be fatally weakened by further sanctions. Recent electoral trends further more suggest that the white electorate is more likely to swing further right than capitulate in the face of foreign pressure. This indicates that sanctions will provoke more of a whimper than a bang from the economy. However, they will almost certainly lead to slower political change because fewer resources will be available for black economic, educational and social advancement. Moreover, there is no evidence that making whites poorer and less secure makes them more liberal.

**Anthony Robinson**

Archbishop Desmond Tutu



Chief Mangosuthu Buthelezi

Gold

# Pushed from the pedestal

**GOLD PRODUCTION BY CHAMBER MEMBERS**

| Year | Gold milled tonnes | Gold produced tonnes | Gold revenue Rm | Pre-tax profit Rm | Capital expend Rm | Dividend Rm |
|---|---|---|---|---|---|---|
| 1979 | 83.5 | 702.8 | 5.7 | 3.5 | 0.7 | 1.9 |
| 1980 | 89.9 | 654.9 | 9.7 | 7.3 | 0.9 | 2.3 |
| 1981 | 91.9 | 645.3 | 8.3 | 4.9 | 1.2 | 1.7 |
| 1982 | 95.0 | 652.0 | 8.5 | 4.5 | 1.3 | 1.4 |
| 1983 | 99.9 | 654.8 | 9.5 | 5.3 | 1.4 | 1.7 |
| 1984 | 101.1 | 651.3 | 10.4 | 5.7 | 1.6 | 1.7 |
| 1985 | 104.8 | 637.0 | 13.4 | 7.8 | 1.9 | 2.3 |
| 1986 | 107.7 | 605.9 | 15.7 | 8.3 | 2.4 | 2.5 |
| 1987 | 107.8 | 568.7 | 15.8 | 7.1 | 2.5 | 2.3 |

Source: Chamber of Mines of South Africa

Last year the five week strike by thousands of black miners made it impossible for the mines to increase output

THE DAYS of cheap gold, like the days of cheap oil, are over for good. The resulting sea-change in the industry world-wide has left South Africa still the world's largest producer but losing market share and beset by rising costs and falling profits.

This relative decline accelerated last year when total gold production fell a further 5.2 per cent, to 605 tonnes from 638 tonnes in 1986 (this is for both Chamber and non-Chamber mines together). Seen against the background of rising production in North and South America and Australia, as well as a proliferation of small but low-cost Third World producers, last year's results pushed South Africa from its pedestal as producer of half the non-Communist world's gold.

Part of South Africa's problem is that so much of its high quality ore was mined out in the days when the gold price was fixed at $35 an ounce and production peaked at 1,002 tonnes in 1970.

Since then the South African industry has seen an inexorable decline in production and average yields as mines have aged and deepened, while years of limited exploration activity has failed to find new deposits on the old scale.

Thus far, higher gold prices have more than compensated for lower yields by permitting the mining of ever-increasing quantities of lower grade ore from stopes at ever-increasing distances from mine shafts. Last year, however, for the first time, the five week strike by thousands of black miners made it impossible for the mines to increase ore output and milling through-put to compensate for lower yields.

The tonnage of gold-bearing ore milled by the major mining companies linked to the Chamber of Mines actually fell, albeit marginally, to 107.6m tonnes from 107.7m tonnes in 1986. Average grade, further depressed by lower quality ore from surface stockpiles, fell 6 per cent from 5.63 grammes to 5.28 grammes per tonne milled.

The combined effect of strikes and rising costs of all kinds was a 19.6 per cent rise in overall working costs and a 25 per cent hike in costs per kilogramme of gold produced. The net effect on the bottom line was a 14.6 per cent drop in pre-tax profits to R7.09bn from R8.31bn in 1986, despite an average 8 per cent rise in the rand price of gold over the year.

Fortunately for South Africa, however, the steady declina in gold production over the past 28 years has been more than compensated for by higher dollar and, above all, rand prices. This has ensured that gold's relative importance to the overall economy has continued to increase.

This seeming paradox was illustrated in April when Dr Gerhard de Kock, Governor of the Reserve Bank, opened Anglo American's R733m Eastern Gold Holdings project. Since 1970, he explained, the dollar price of gold rose on average 16 per cent a year and the rand price by 23 per cent. Average costs per tonne milled rose, however, on average by only 16 per cent in rand terms.

As a result, gold's share of GDP rose from 5.5 per cent in 1970 to 9.1 per cent last year, while its share of total export revenue rose from 30 to 37 per cent over the same period. By the same token, the yellow metal's share of the value of total mining production has also risen to 65 from 55 per cent.

Once again, the rise in the dollar price of gold from its low of $285 in February 1985, to its peak of $503 in December last year, helped bail South Africa out by keeping the economy afloat in the face of sanctions, disinvestment and the cut-off in new foreign capital after the August 1985 partial debt moratorium.

The fact that costs substantially ontstripped revenue last year, bowever, underlines the need for major etructural changes in key areas, including labour relations, if the industry is to compete successfully against a background of rising production from lower-cost non-South African mines and few signs of any dramatic increase in the gold price.

Capital expenditure by Chamber mines rose to R2.48bn from R2.42bn last year but failed to keep pace with inflation. The most important new mine to be announced was the R1.5bn Oryx mine in the Orange Free State which Geucor will bring on stream in 1994.

Gencor, which in 1986 obtained nearly 46 per cent of its total gold prodnction of 106 tonnes from short-life mines with less than 10 years production left, has been forced to step up its exploration expenditure in the search for new mines. It spent R140m last year on exploration alone — this is more than the total spent by all six major mining houses in 1985 and reflects a strong upsurge in exploration activities industry-wide which cost more than R300m last year.

Finding and funding new mines or extensions to existing mines requires increasingly large amounts of long term capital. Deeper mines and new technology also require constant upgrading of skills and greater attention to mine safety. These key factors, plus the emergence of militant organised black trade unionism, have created fuudamental changes in the underlying nature of the industry which are only now becoming clear to both sides.

In retrospect, laet year's protracted and bloody etrike by black miners marked a watershed. It was a trial of strength which cost the union 12,000 lost jobs and some of the naivety which assumed that the mining houses would give way when faced with united labour action. The crunch came on the deep mines, like Anglo's Western Deep Levels, where intense pressure made seams dangerons and unworkable.

This year the NUM has put forward an initial 40 per cent pay claim and minimnm waga demands which, while high, are below last year's starting 55 per cent demand. Neither unions nor management seem prepared to put up with a protracted dispute this year. Management will be seeking to keep increases around the 13 per cent inflation level. The union needs to strengthen its own organisation and cohesion.

In the longer run, what industry thinkers like Anglo's Bobby Godsell hope to achieve is a recognition by both sides that the main targets are to secure the viability of the industry, security of employment and continuing profitable investment in an increasingly competitive environment.

**Anthony Robinson**

Coal is the only mineral to have been affected by sanctions

# Reputation for producing

IN APRIL, when American newspapers began publishing apparently official threats by Pretoria to retaliate against sanctions by cutting the sale of "strategic" minerals to the US, South African minerals producers were totally bemused. They had heard nothing of the sort from the government and further interference in the minerals market was the last thing they wanted.

The threat of sanctions is not under-estimated in mining company boardrooms and effective counter-sanctions strategies are largely based on making particular South African products indispensable. With the exception of coal, sanctions seem to have had little effect on minerals exports.

In private, some mining industry executives believe other countries' failure to bonour export contracts has emphasised South Africa's reliability as a supplier and could ensure US legislators continne to exclnde strategic metals such as chrome, vanadium, manganese and platinum from the sanctions net. The mining industry is convinced Pretoria would do nothing which detracted from the country's reputation as a reliable producer, no matter how severe sanctions pressures became.

The mining companies argued that an embargo on sales to the US would be ineffective since it would be impossible to prevent minerals exported to other countries being re-directed to America. Withholding minerals from export markets is not an option because it would end any hopes of generating the trade surpluses needed to finance scheduled foreign debt repayments.

Last year South Africa earned R23.95bn from exports of minerals — gold contributed R17.49bn, while coal weighed in with R2.29bn. It is not possible to strip out the individual contributions of diamonds or platinum group metals (PGM), but it is clear that any disruption in the country's base minerals trade would have a startling effect on trade balances.

*Coal is the only major mineral* export to have been affected by American and European sanctions. But though coal exports and revenues fell last year, and earlier plans for expanding South Africa's export capacity have been shelved, it is not possible to quantify the direct effect of sanctions. One study sponsored by South Africa's coal exporters said export coal prices had been affected by the South Africans' ability and preparedness to cut prices to maintain export market share.

While this has been a factor in the coal export market equation, export prices have also been nnder pressure from slack demand, a glut of oil and the arrival of new exporting nations such as Colombia on the market scene. Last November Ermelo Mines, an export colliery, cut its annual production rate to 1.8m tonnes from 3m tonnes as BP, which has a one-third interest in the mine, decided its coal was too expensive. Ermelo cut its workforce to 970 men from 2,135 but said the cnt-back was due to weak market demand, not sanctions.

Ermelo's problems stemmed from its development as an exclusively export colliery with comparatively expensive underground mining operations. Other, newer collieries are less likely to ba affected by cost pressures. They are tied to the new power stations being built by Eskom, the state-owned electricity utility, which are designed to burn particularly poor coal. This allows the tied colliery to produce a high quality product for export, while having a guaranteed market for the poorer quality residue.

*This is taking* export coal processing about as far as it can go. Additional domestic processing of minerals is regularly proposed as a means of increasing export earnings, but with readily available export commodities such as coal there is no scope for any beneficiation beyond production of a clean product.

The same is probably *true of* metals such as platinum in which South Africa dominates the world market. Platinum industry executives believe selling fabricated platinum goods, *such as auto exhaust* catalysts, would be impractical since the domestic South African market is too small to provide a base load, while fabricated products have to surmount import tariff burdles in most countries.

By way of contrast, Samancor, the manganese and ferro alloys exporter, is building a sinter plant at its Mamatwan mine to produce the beneficiated product demanded hy steelmakers. New steel technology has eliminated demand for lower grade ores and generated demand for manganese ore grading 50 per cent or more manganese.

The manganese industry's experience mirrors that of the chrome producers several years ago. It was only when new technologies were developed for making stainless steel from low-carbon charga chrome that the South African mining companies found a market which justified the building of large plants to produce *ferro-chrome* from the low-grade but plentiful Transvaal ores. Now the South Africans dominate the world ferro-chrome market and are unlikely to be affected by sanctions.

Platinum companies appear completely unfazed by sanctions. Platinum is specifically excluded from the list of South African products which cannot be imported into the US. *Demand for PGM is forecast to rise* steadily through to the turn of the century as Europe follows America in legielating the removal of pollutants from automobile exhausts and as new technologies, such as the fuel cell, open new markets for the metals.

Each of the three principal platinum producers — Rustenburg, Impala and Western — have expansion projects underway, while at least three other mining companies will bring mines on stream by the early 1990s. New technology, which allows metal to be recovered from the previously un-treatable UG2 platinum reef, has opened new mining opportunities.

De Beers, the diamond company, has taken another anti-sanctions route. Last July it sold an effective 2.6 per cent interest in itself to the Botswana government in exchange for a large inventory of Botswanan gems. Botswanan mines managed by De Beers *produce over half of* the diamond group's own gems. At the time De Beers said the political advantages of closer links with Botswana "had not been lost" on the group. US diplomats involved in their country's anti-apartheid sanctions campaign acknowledge that the prospect of harm being done to Botswana could be a powerful argument against sanctions aimed at *De Beers'* diamonds.

**Jim Jones**

Sorting De Beers diamonds in Botswana

**COAL'S ROLE**

| Year | Production m tonnes | Local sales m tonnes | Local sales Rm | Export m tonnes | Export Rm |
|---|---|---|---|---|---|
| 1979 | 103.8 | 74.9 | 634 | 23.3 | 509 |
| 1980 | 115.1 | 82.2 | 807 | 29.2 | 688 |
| 1981 | 126.4 | 97.1 | 1,110 | 25.6 | 808 |
| 1982 | 136.8 | 105.9 | 1,378 | 25.6 | 1,094 |
| 1983 | 143.5 | 112.3 | 1,394 | 28.1 | 1,069 |
| 1984 | 162.0 | 121.0 | 1,714 | 38.1 | 1,712 |
| 1985 | 173.5 | 124.9 | 1,939 | 44.9 | 3,099 |
| 1986 | 176.7 | 127.0 | 2,203 | 45.5 | 3,157 |
| 1987 | 176.5 | 130.5 | 2,513 | 42.8 | 2,294 |

Banking

# Reserve Bank brakes hard

CREDIT CURBS and higher interest rates have brought bankers down to earth with a bump. In public most bankers agree the tighter financial restrictions introduced by the South African Reserve Bank early in May were necessary to cool the economy and protect the balance of payments. In private they are concerned that the officially-encouraged consumer spending boom is to be slowed before being translated into greater demand for credit by industrialists needing to finance new plant and equipment.

Over two years of stagnant demand for bank credit ended in the middle of 1987 as comparatively cheap finance and aggressive marketing persuaded households they could afford new mortgages and additional hire purchase debt. First National, the country's largest bank, doubled its mortgage book in 12 months and mortgage lending alone comprised one quarter of the bank's new advances.

By way of contrast, Nedbank, which directs its business more towards the corporate or wholesale sector, scarcely increased its advances over the past year. Apart from anything else, May's credit tightening underscored the banking sector's particular vulnerability to South Africa's exclusion from international capital markets and emphasises just how that exclusion has shortened economic horizons.

In happier days the inevitable increase in imports of consumer goods could have been financed by foreign credits. Now, less than six months of narrowing trade surpluses have frightened the Reserve Bank into moves designed to avoid the possibility of what Dr Gerhard de Kock, the Reserve Bank's governor, called a foreign exchange "crisis" later this year.

Nor are bankers convinced May's curbs will be the last this year. If consumer spending is to be reined in, hire purchase and mortgage credit have to be pushed out of the reach of many household budgets. Interest rate increases alone will be inadequate and bankers forecast increases in legally-required hire purchase deposits and a reduction in the permissible length of hire purchase contracts.

New opportunities and flexibility had been expected by some bankers and analysts as divestment freed local managers from decisions taken in parent boardrooms in London and New York. Unfortunately for the bankers, harsher economics now predominate. A new dynamic had been forecast as the re-structuring of the country's financial services industry had more or less been completed early in 1987. All but one of the larger building societies had ceased to be mutuals and were competing with the banks on their own ground.

The banks, in their turn, had turned aggressively to the mortgage market. The lending free-for-all, as much as anything, persuaded the Reserve Bank that credit creation was in danger of running out of control. The Reserve Bank was not concerned about rapid increases in pure mortgage lending since it stimulated the house-building sector which has an extremely low import propensity.

Its concern is over loan schemes which are ostensibly mortgage-based but which are designed to encourage spending on consumer durables with high import contents. UBS Holdings, which controls the largest building society, offered loans equivalent to 110 per cent of the price of a house, while Standard Bank offered a deal which allowed home owners to use their mortgage accounts as call accounts.

Easy money and negative real interest rate policies were orchestrated by the Reserve Bank throughout 1987 to drive the domestic economy into the 3 per cent real growth needed to halt rising unemployment.

However, easy money policies only started having an effect on bank lending during 1987's second half. Throughout most of 1987 weak demand for industrial and consumer credit left M3 money supply growth well below the lower 14 per cent target set by the Reserve Bank early in the year. By the start of this year consumers' eagerness for credit promptly pushed M3 growth above 1988's 16 per cent targeted upper limit.

Preliminary estimates put March's M3 22.6 per cent higher than in March 1987, with prospects of a further advance despite a tentative increase in Bank Rate and related interest rates during March.

In most countries recovery from recession would probably have been allowed to continue unimpeded. That is not possible for South Africa which cannot count on capital inflows to balance current account deficits and which needs a current account surplus of R3bn this year to cover its foreign debt repayment obligations.

So when domestic demand sucked in imports and pared this year's first quarter trade surplus, the Reserve Bank slammed on the credit brakes. It is now in a quandary. The economy is on the move and the motor industry is hiring more men since new car sales were 30 per cent higher in the first quarter of this year than in the corresponding period of 1987. But imported components make up half of the value of each new car and this year alone imported auto parts will cost an estimated R3bn if sales continue as they did in the first three months.

Tighter credit should restrain car sales and imports, but the central bank also hopes higher domestic interest rates will persuade South Africans to finance foreign trade with offshore trade credits and that this will take some of the pressure off the current account of the balance of payments towards the end of the year. Inside the banks, foreign exchange dealers remain wary and fear that foreign trade credits could disappear if South Africa becomes too eager a borrower.

**Jim Jones**

ADVERTISEMENT



# The Future of South Africa

*This 1987 speech by an impartial overseas observer is reprinted in the interests of a better international understanding of the complexities of South Africa.*

by

PAUL JOHNSON

*For further information about South Africa write to the South African Embassy, Trafalgar Square, London WC2N 5DP from whom copies of this speech can be obtained.*

## Introduction

What will be the future of South Africa? Has it a future in its present form? If not, what will the new form be? And when will the change take place? Everyone in South Africa asks these questions, and many in the world beyond too. They are very difficult to answer: much more difficult than most of those who hold strong opinions on South Africa suppose. I think the best way to begin answering them is by putting forward this preliminary proposition: what happens in South Africa will depend to a large degree on what happens to the rest of the African continent. Why so? Because South Africa is in many respects a typical African country.

Now this may seem a paradoxical and provocative statement. So let us examine it. First, let us look at the ways in which South Africa is a typical African country, and then at the ways in which it differs from the rest.

## Population growth

Now there are six important ways in which it is typical. The first is perhaps the most critical. Like every other state in Africa, without exception, it is undergoing a very rapid population increase. Africa is the last of the continents to experience what is commonly called the population explosion.

Now very rapid increases in population are not just demographic events. They have important political and often geopolitical consequences. The first population explosion occurred in 19th century Europe, which accounts for the phenomenon of European mass-migration and colonialism. It then spread to Asia and South America, both of which, like Europe after 1918, are emerging from the phase of fast growth and the revolutionary turmoils which accompanied it.

In Central America the 'explosion' is at its height, and that is one prime reason for the intense political instability and fear we find there.

In Africa it is just beginning, but the curve of population growth is rising rapidly and it is already producing Malthusian counter-effects in the form of over-cultivation, droughts, famines and wars. So far, South Africa has avoided the worst of these but it is feeling intense population pressures, like every other African country.

Demographic growth exacerbates what is the most striking single characteristic of the African continent: its lack of racial, cultural and linguistic unity. No other continent is so fragmented, especially south and south-east of the Sahara. Before colonialism intervened, Africa was beginning to evolve larger units by a process of tribal imperialism.

The effects of the colonial period, which lasted roughly a century, was to accelerate the process, and to transform many thousands of tribal societies into about fifty superficially modern states which are now independent. Scarcely one of them is homogenous. Even small states like Ruanda are split by deep, radical fissures. In the first quarter-century of independence, these divisions have produced appalling civil wars in Chad, the Sudan, Zaire, Uganda, Nigeria, Ethiopia and elsewhere. Sometimes, as in Angola and Mozambique, these civil wars have a strong ideological element. But in every case the tribal or racial element is there too, and it is usually predominant.

## Racial problems

This brings us to the second respect in which South Africa is typical. It is a large and populous African country and because it is large its racial problems like those of Nigeria, Zaire and the Sudan, for instance, are particularly complex.

There are at present at least five major civil wars taking place in Africa. So far South Africa has managed to avoid a similar disaster, and this is a considerable achievement. But, as in other African states, there are forces pushing towards civil war, and many influential people, inside and outside, who actually want one. The assumption outside the African continent is that any civil war in South Africa would necessarily be between whites and blacks but of course the reality is much more complicated.

The largest racial group in South Africa is the Zulu — more a national than simply a racial group, since it is divided in turn into about 200 tribes, each subdivided into clans. The next largest group is the whites but these, too, are composed of diverse ethnic and cultural groups — Dutch, English, French and German, for instance, and have two distinct languages, Dutch-Afrikaans and English. There are important sub-groups too: Portuguese, Greeks, Jews, Italians and the so-called Rhodesian Whites. Third in size are the Xhosa followed by the Coloureds, the North Sotho, the South Sotho and the Tswana.

In addition to these seven major groups, there are seven minor racial groups, ranging from the Shangaan and the Asians to the Venda. The Venda are the smallest of the main groups but even they have twenty-seven distinct tribes. Indeed, all fourteen of the racial divisions of South Africa contain internal subdivisions. Thus the Asian population is split between Hindus, Moslems, Christians and Buddhists. Among the various groups of blacks the linguistic divisions are particularly important, with four major and twenty-three minor languages spoken.

## Urbanisation

The third way in which South Africa is typical is that population pressure on the land is driving people into the towns and especially into the big cities. In Cairo, Africa now has its first megalopolis but all over the continent cities like Lagos, Dakar, the Johannesburg conurbation, Kinshasa, Khartoum, Nairobi and Harare are expanding at an impressive speed. Most of the new arrivals live in shantytowns, unless deliberate and forceful measures are taken to settle them elsewhere. In these immigrant cities, also characterised by very high and rising birthrates, the statistics of serious crime, especially murder and rape, are appalling.

These burgeoning and ultraviolent giant city-complexes pose fearful problems to the authorities in all African countries, and here again South Africa is typical. Governments have found that, unless they respond ruthlessly, the shantytowns and immigrant suburbs quickly become no-go areas for the police and are ruled and partitioned by rival gangs, with the danger of the entire city becoming ungovernable.

So governments respond with what has become the curse of the continent — social engineering. People are treated not as individual human beings but as atomised units and shovelled around like concrete or gravel.

South Africa is now moving to end the pass-laws and movement control, having been the first to impose them — and this is very welcome — but unfortunately the use of identification papers has spread all over Africa and when movement is restricted the bulldozer is never far behind. Most African governments use them to demolish unauthorised settlements. Vast numbers of wretched people are made homeless without warning by governments terrified of being overwhelmed by lawless multitudes.

In the black African countries immediately south of the Sahara, for instance, the authorities fight desperately to repel nomadic desert dwellers driven south by poverty or drought. When the police fail, punitive columns of troops are sent in.

## Security forces

South African has the most efficient, though by no means the largest, internal repressive force on the continent. It is much admired and imitated by other African governments who buy or copy South African police hardware when they can. All these security forces are ruthless and liable to act with unpredictable violence. But, unlike the South African police, many are ill-paid and undisciplined and therefore far more brutal. The human cost of social control and social engineering in black Africa goes largely unreported. South Africa, by contrast, has a large, varied and in many ways excellent press. Hence, despite all the legal restrictions on reporting, we know pretty well what goes on there.

## Social engineering

African social engineering is perhaps inevitable, given the lack of homogeneity, conducted on a racial-cultural basis. Here again South Africa is typical. All African states tend to be racist. Almost without exception, and with varying degrees of animosity, they discriminate against racial/religious groups: Jews, or whites, or Asians, non-Moslems, or minority tribes or even majority tribes. There is no such thing as a genuine multiracial society in the whole of Africa. There seems to be no African country where tribal or racial origins, skin colour or religious affiliation are not of prime importance in whether people are accorded or denied elementary rights.

## Discrimination

African countries vary in the extent to which their practice of discrimination is formalised or entrenched in law codes and official philosophies. Many have political theories of a sort, cooked up in the political science or sociology departments of local universities. Thus Tanzania has Ujamaa, Ghana Concienscism, Senegal Negritude, and Zambia 'Zambian Humanism'; Zaire has a national philosophy named after its military dictator, Mobutuism. Apartheid, whose modern, sophisticated form was put together in the social psychology department of Stellenbosch University, is a typical example of this distinctive African brand of political theory which has developed over the last half-century. Paradoxical though it may seem, Apartheid is not a concept which divides the Republic from the rest of Africa. It is, on the contrary, the local expression of the African ideological personality. No continent has ever suffered more at the hands of its politically-minded intellectuals, and here again South Africa is typical.

These then are the six main ways in which South Africa is very much part of the continent. But there are also five important ways in which it is quite untypical. The first is in wealth and infrastructure.

## Wealth and infrastructure

South Africa in some ways is a third world country, like all other African states; but, alone among them, it also has some characteristics of a first world country. Its wealth is both created and intrinsic. It has by far the richest and most varied range of natural resources of any African country. Its settlements, both white and black, were originally poor, entirely agricultural, largely pastoral. But since the discovery of diamonds in quantity in the 1880's, it has emerged as the richest depository of minerals in the world, exceeded in quantity only by Soviet Russia.

It exports about eighty-five percent of what it mines or refines. It is the world's largest supplier in nine key commodities and it's second largest in two more; in addition it is among the world's top ten suppliers in such basic commodities as copper, tin, nickel and coal. In many essential and scarce metals it has between fifty and ninety percent of the West's known reserves and over a wide range of important commodities South Africa and the Soviet Union between them control virtually all the world's supply and reserves.

## Modern economy

The second way in which South Africa differs is that its mineral wealth has become the basis of a modern economy — the only modern economy in the whole of Africa. South of the Sahara, South Africa has under ten percent of the population. But it has nearly seventy-five percent of the total Gross National Product. The core of this modern economy is mining and after the Soviet Union it has the largest mining industry in the world, employing 700 000 people, as opposed to 470 000 in the United States, the next largest. In many important respects the South African mining industry is the most efficient and technically advanced on earth.

The strength of the mining industry accounts for the third way in which South African differs.

With very few exceptions — the Ivory Coast, the Cameroons, Kenya, Malawi and Botswana are five which spring to mind — most black states have experienced falls in real income per capita since independence. In some cases the falls have been severe and states have virtually passed out of the international economic system. In South Africa, by contrast, the real incomes of blacks have risen substantially in the last quarter-century. In the decade 1975-85, for instance, black wages in the mining industry more than doubled in real terms, and this improvement has continued despite the severe recession which began in 1984 and from which South Africa is only now emerging.

## Education

This improvement in the fortunes of South African blacks is not confined to purely financial matters. Though the education available to blacks is poor compared to what the whites get, it is good compared to what is available almost anywhere else on the continent. The number of blacks completing secondary education now approximates to the white total. So, perhaps surprisingly, does the number of black women with professional qualifications — well over 100 000. There are probably more black women professionals in South Africa than in the whole of the rest of black Africa put together.

## Migrant labour

However, it is important to remember that this modest but rising prosperity is not confined to blacks born in South Africa. About half of South Africa's black miners come from abroad, chiefly from Malawi, Mocambique, Lesotho, Swaziland and Botswana, and most of their wages are remitted home; so about ten-million people, in half a dozen countries, are directly or indirectly financially dependent on South Africa's mining industry.

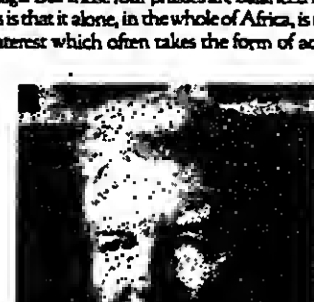
Their governments are likewise dependent, in varying degrees, on those hard-currency earnings, and pressure from other African governments was one factor which brought to an end the recent mining strike. The point can be summarised quite simply: continuing South African prosperity is essential to the economic well-being of all Southern Africa, and in the battle for higher black living standards *throughout this sub-continent it is one of the very positive factors.*

## Libertarian endowment

The fourth way in which South Africa differs from the rest of the Continent is that it is in many respects a free country. This difference is very little appreciated in the outside world, but it is of transcendent importance. South Africa is essentially a British creation, and as such was endowed with most of the political and individual liberties Britain evolved over centuries and transmitted to her overseas possessions: not least it enjoys the rule of law, more precious in some ways than the right to vote.

This libertarian endowment has been eroded since South Africa became independent and especially since 1948; but the erosion has gone much less far than in other former British territories in Africa — or in other African ex-colonies given western-style judiciary, what is in many essentials a free press, and a multi-party parliamentary system, albeit elected on a racially-restricted franchise. No other African state still enjoys this combination of benefits.

With its natural resources, its modern economy, its ability to raise its living standards and its residual freedoms, these four ways in which South Africa differs from other states on the continent are greatly to its advantage. But those four pluses are balanced by a serious minus. The fifth way in which South Africa differs is that it alone, in the whole of Africa, is the object of overwhelming interest in the outside world, an interest which often takes the form of active hostility.



*PAUL JOHNSON*
*Author of "A History of the Modern World from 1917 to the 1980's"*

## External hostility

I know of no historical precedent for such widespread and persistent international obsession with the internal affairs of an independent country. The curious thing is that it comes at a time when the outside world has little interest in the African continent as a whole. From the 1860's onwards, for an entire century, outside interest in Africa grew steadily. The continent became part of the European world-system: its wars were Africa's wars, its booms and slumps Africa's, it transmitted its institutions, religion, technology, sports, virtues, vices.

For most of the 1960's as Africa became independent this interest remained, but with the rise of the military regimes, the collapse of economies and the ravages of chronic frontier disputes and civil wars, the world turned its back on Africa — except for the Republic, on which world attention has been increasingly concentrated. It is as though the world, unwilling or unable to do anything to assist the new black states to survive their post-independence mistakes, has selected South Africa to be the moral scapegoat, to carry the burden of the sins of all. Hence the world's focus on South Africa, to the exclusion of the rest of the continent, is itself distorted, since it is not really interested in any aspects of South African life which is not directly related to the race problem.

That those who form international opinion should wrench South Africa out of its continental context, and then in turn wrench its racial difficulties out of their national context, obviously does not make for understanding or wisdom. And indeed the policies pursued towards South Africa by those, at the United Nations, in the United States Congress and elsewhere, who are pleased to call themselves the agents and spokesmen of the world's conscience, have been exceedingly foolish and have often achieved the opposite of the ends desired.

## Sanctions and boycotts

Let us actually look at what has happened since the UN first mounted embargoes, boycotts and sanctions against South Africa. It is a recurrent lesson of history that economic sanctions are usually ineffective against a strong, modern economy. Often they merely enforce improvements, in quite unexpected ways.

South Africa was traditionally a colonial-style economy which exported commodities and imported manufactures. The sanctions imposed over the last quarter century have simply accelerated its progress towards economic self-sufficiency.

The arms embargo, now more than two decades old, merely led to the creation of an indigenous arms industry. South Africa exploited the technology of its mining industry to become a world leader in the manufacture of conventional explosives rivalling the hitherto unchallenged supremacy in this field of the United States and Sweden. It also specialises in mine-resistant armoured vehicles, in which it seems to have outstripped all its competitors. From an importer of arms it has become an exporter, selling its products all over the world but especially to other governments, whose needs are similar. Hence the UN, which once instructed its members to stop selling arms to South Africa, is now driven to begging them not to buy arms from her.

Again, the oil embargo had the predictable result that South Africa, in order to make itself more than eighty-five percent self-sufficient in energy, has created a synthetic fuel industry, whose chief component, Sasol, the semi-public organisation which turns coal into petroleum products, is now the world leader in this technology.

This involved modernising and expanding the coal industry, and as an unforeseen but very important by-product of the embargo, South Africa has created the lowest-cost coal-export trade in the world. It has captured a large slice of the Japanese market and even contrived to export coal at a profit to the United States, something which would have been inconceivable when the embargo was first imposed. These exports are vulnerable to protectionism posing as sanctions but there is no doubt about this competitive edge.

## Disinvestment

The latest attempt to exert pressure on South Africa, the disinvestment campaign mounted in the United States, and copied to some extent in Britain, appears to be having similar results. One of South Africa's weaknesses was that both its mining industry and still more its financial institutions were to a great extent controlled from abroad. The process whereby South Africans have acquired a dominant stake in their own mines has been proceeding for many years and disinvestment has merely accelerated it.

But in the financial sector, the recent changes have been much more important, as British and American institutions have handed over ownership and control to local affiliates or management consortiums, often at bargain-basement prices. South Africa is thus in the process of acquiring what no other African state possesses, and at nominal cost — its own locally-owned array of modern financial institutions. In the end, the result may well be the opposite of what those who demanded disinvestment wished to see, for South Africa is emerging from the process with its economic sovereignty and its power to defy its foreign critics greatly enhanced.

Of course disinvestment was designed to starve the South African economy, and especially its *mining industry, of funds. It is hard to see how this purpose was advanced by* ensuring that South Africa acquired its own money-raising institutions. The truth of course is that so long as investment in South Africa, especially in mining, remains highly profitable, capital will find its way there.

## Economic forces

Now this brings me to one of the main points I want to make. Capital, in searching for a place to rest and fructify, is not interested in United Nations resolutions. It is so with all these impersonal economic forces. The gold price, that primary factor in South Africa's economic health, rises or falls according to principles of motion which are all its own. It is not motivated by political, ideological or humanitarian reasons. So too with capital as a whole. It is deaf to speeches, heedless of 'isms', impervious to demonstrations not least, it is colour-blind. It does not make ethnic or ethical judgements, merely financial ones. It is a rationalising force, the great destroyer of unreason, prejudice, illegality and ancient follies. For capitalism is not really an 'ism' at all: it is merely what happens at certain stages in the development of a free market, unless you do something very forceful and positive to stop it.

Hence, it is the great dissolvent of castes and classes, sweeping away in its impersonal search for profits the artificial inequalities mankind creates among itself, whether based on heredity, occupation, caste or colour. It destroyed the feudal system. Left to itself, it must destroy apartheid.

## Capitalism and apartheid

What is apartheid? It is not as many people seem to think, the extreme right-wing end of the political-economic spectrum. Quite the contrary. It is more accurately described as ethnic socialism. A regressive and primitive system which necessarily involves state interference in every aspect of economic activity, a huge state sector, an ever-growing state encroachment on the national income and a mass of restrictive laws which inhibit the operations of a free market.

Capitalism is incompatible with apartheid for broadly the same reasons it is incompatible with feudalism — it cannot co-exist with a social and political system based on inherited racial caste, which forbids freedom of movement and a free market in labour, and which subordinates all business decisions to the needs of an irrational world-view.

Hence capitalism will tend to destroy apartheid, unless positively prevented from doing so. Indeed we can go further. Being colour-blind, it has an inherent tendency to advance the interests of blacks.

If we look at the aspirations of the blacks in South Africa, not as imagined in theory from the outside, but as they actually exist, we find the black priorities centre on five practical objects. These are, in probable order of importance: better education for their children; rights of citizenship; the right to own property, especially house-title, anywhere in the country; freedom of movement and residence; and — a natural consequence of the last three demands — freedom from excessive police supervision. To this I think I would add a sixth aspiration, especially among blacks with good education and technical qualifications — the right to a job on the basis of merit alone.

## The business community

Now it is a significant fact, in all these different demands, the blacks have the vigorous support of virtually the whole of the business community. Nor is this surprising, for such rights are not merely compatible with the capitalism system, they are directly conducive to its successful performance. The needs of capitalism and the hopes of the blacks complement each other. This is why they have a common interest in dismantling apartheid.

It is of the nature of capitalism to create consumers, to expand their purchasing power, to raise their sights, to create a world in which all have middle-class standards of consumption which the immense productive capacity of capitalism can then satisfy.

Now we know man does not live by bread alone. But it helps. South Africa's blacks are no different from anyone else. They want better homes. They want cars and appliances. They want better schools and health-care. Probably, most of all, they want a better future for their children. All these, if left to itself, capitalism can eventually supply, as it has supplied them in Europe and North America, as it is now supplying to countless millions in East Asia.

## Historical perspective

Of course such aspirations cannot be divorced from the political context. But the historical reasons show that where capitalism advances, the vote is never far behind. In Britain, the first wave of the Industrial Revolution was followed, in due course by the first Reform Bill, extending the franchise and parliamentary representation. In the United States, industrialisation and democracy advanced hand-in-hand. In the long run, the kind of mass prosperity generated by free-market capitalism is incompatible with the denial of political rights.

If we take Europe today west of the Iron Curtain, we find the market system everywhere triumphant, living standards higher than ever before, and — for the first time in history — every single European state is a parliamentary democracy under the rule of law. Are these things connected? Of course they are — for economic freedom and political freedom are indivisible.

Now you may say: but that is Europe, and here we are in Africa. Of course, the differences are enormous. *But in the long perspective of history, they are nothing compared to the similarities.*

We have seen over the past quarter-century, half a dozen states on the Asian rim of the Pacific, with cultural traditions very different to Europe's, create astonishingly successful free market economies, which have brought unprecedented prosperity to their peoples. The number of such states is growing in Asia, as the progress of the pioneers is noted and their example spreads.

Why, given time and patience, should Africa prove any different.?

## The political fallacy

In answering this question, all the newly independent states have made mistakes. In some cases, Uganda, Tanzania, Ghana, for example, the mistakes have been very serious, near-fatal indeed. But though the mistakes have varied in degree, they have tended to follow a common pattern, what am I tempted to call the political fallacy — the assumption that all economic and social problems are susceptible to political solution, provided it is pursued ruthlessly enough.

The fallacy was stated most clearly in 1963 by Kwame Nkrumah. Africa's aims, he declared, including its unity, constituted "above all a political kingdom, which can be gained only by political means. The local and economic development of Africa will come only within the political kingdom, not the other way round." Well, he was wrong, wasn't he?

Other leaders — Nyerere, Sekou Toure, Mengistu, to mention only three fairly typical ones, made the same kind of mistake, and their countries paid for it. South Africa, too fell into the political fallacy, which here took the form of apartheid.

All these errors, stressing as they did the supremacy and invincibility of the political, ideological solution, involving as all did a great deal of social engineering, of pushing around ordinary men and women, were different forms of state socialism. They have all failed economically; and all, in varying degrees, have led to internal violence.

Now it seems to me, after a quarter-century of putting its trust in the political kingdom, the African continent as a whole is beginning to learn better. It is beginning to grasp that social and economic problems are not susceptible to drastic simple-minded and abstract political solutions. Throughout the advanced countries of the world, socialism and its monstrous progeny, the all-embracing, all-powerful state, is on retreat. Even in Moscow and Peking it is beginning to shrink. Africa is not immune to this worldwide trend. Slowly, painfully, almost reluctantly, African political leaders are beginning to grasp that the state cannot do *all — indeed can do scarcely anything well, except perhaps kill* — and that social and economic arrangements are best left to the wit and wisdom of private men and women.

## Capitalism and economic leadership

Where the state gives up and retreats, capitalism cheerfully steps in to fill the vacuum. The process is beginning in many parts of Africa. It will take a very long time to bear fruit, for incalculable damage has been done to economic infrastructures which were, to begin with, inadequate and fragile. However, Africa is at last turning in the right direction.

Now here is the opportunity for South Africa, as the leading economy in Africa — the only modern economy in Africa — to play its part. Can it learn the lessons of its own version of the political fallacy, and dismantle apartheid with all deliberate speed? Can it create by exertions, and demonstrate by its example, the functioning free market economy which alone can provide the dynamism to carry Africa onto the plateau of the affluent society? Can it, emerging from its isolation as the continental scapegoat, take up the role which nature and its own skills surely allotted it — the economic leadership of Africa?

I think the answer to these questions, which are still very much open, will depend in great degree on the young people of all races who are growing up in South Africa today. We look to the old for wisdom but only the young can supply the idealistic passion which is so incorrigibly a characteristic of tender years.

After the ideological follies of the past quarter-century, there is a spirit of cynicism and moral defeatism in Africa which needs correction. The market system, left to itself, will undoubtedly do the spadework. But, as I say, it is blind, impersonal, materialistic, non-human. It cannot, of itself, supply the necessary corrective of idealism. It needs a moral dimension and only people can supply that.

Africa needs economic example. But she needs moral leadership too, the kind of moral leadership which recognises how essential economic success is to achieving anything else, which sets about getting it in a businesslike way, but which knows that materialism is not enough.

## Optimism for the future

When I look at the prospects for South Africa over the next twenty years, I am inclined to be optimistic. Twice in my lifetime, once in the early 1960's and again in 1985-86, doomsday predictions for South Africa, *foreseeing a crescendo of violence culminating in a destructive change of regime,* have been invalidated by actual events.

I no longer have the smallest belief in a catastrophe solution, for South Africa. Too many people, of all races, have too much to lose; and too much to gain from the rational alternatives.

Moreover, reason, and the gifts of reason, are the rewards of the open-minded. And, by a curious paradox, South Africa — supposedly obscurantist, inward- and backward-looking South Africa — the South Africa of the laager — has in recent years, quite suddenly, become extraordinarily open-minded about its future.

How to face the future has become the leading topic of discussion, more so perhaps than in any other country in the world at present. In this respect, the hostile actions of the outside world have not been an unmixed evil; they have forced, or at least encouraged, South Africans to think deeply and systematically about what they ought to do. As Dr Johnson may have said, the knowledge that one is to be disinvested in a fortnight concentrates the mind wonderfully.

South Africa is beginning to concentrate its mind; and this process must, in my judgment, propel it along the path where the underlying forces of capitalism are already taking it — towards a society *based not on class or caste* or race, *but* on merit. So *the next* twenty years will see *radical reform and* power-sharing though whether, in its initial phases, it will be reform from above or reform by negotiation, I am not able to say: a bit of both I suspect.

What I am sure of is that, to be successful, and to lay the foundations of a durable future in the 21st century, this process of reform will require not only economic sense and political daring, but also and perhaps most important of all, moral wisdom.

## *The future of South Africa*

In the long run, the future of South Africa — the future of the continent as a whole — rests in the hands of its own people, of all races, religions and cultures. The outside world can be, at best, of only marginal assistance or hindrance. It cannot do much either way, by showering Africa with aid, or bombarding it with embargoes and sanctions. The international community must realise that Africa has really no alternative but to go it alone as a continent, and work out its own salvation.

Whether it goes it alone in harmony and companionship, or in discord and violence, will depend in great part on the quality and intelligence of the leadership which South Africa, as its most powerful unit, has a duty to provide.

Johannesburg Stock Exchange

# Decline expected for rest of year

**EQUITY CAPITAL RAISED THROUGH THE JOHANNESBURG STOCK EXCHANGE (Rm)**

| Year | Issues by listed companies | New issues |
|---|---|---|
| **1981** | | |
| Q1 | 100.5 | nil |
| Q2 | 1,080.3 | 20.4 |
| Q3 | 228.3 | 1.8 |
| Q4 | 126.3 | 109.5 |
| **1982** | | |
| Q1 | 399.8 | 20.9 |
| Q2 | 168.2 | 3.3 |
| Q3 | 210.4 | 18.2 |
| Q4 | 61.6 | 7.3 |
| **1983** | | |
| Q1 | 376.2 | nil |
| Q2 | 218.3 | 101.3 |
| Q3 | 337.7 | nil |
| Q4 | 2,326.0 | 160.6 |
| **1984** | | |
| Q1 | 313.3 | nil |
| Q2 | 577.1 | 25.5 |
| Q3 | 76.3 | 159.9 |
| Q4 | 308.2 | 0.9 |
| **1985** | | |
| Q1 | 175.3 | 425.0 |
| Q2 | 287.5 | nil |
| Q3 | 944.2 | 871.6 |
| Q4 | 459.4 | 497.9 |
| **1986** | | |
| Q1 | 320.2 | 420.4 |
| Q2 | 2,240.7 | 327.8 |
| Q3 | 396.3 | 720.6 |
| Q4 | 1,016.7 | 1,468.6 |
| **1987** | | |
| Q1 | 322.2 | 573.0 |
| Q2 | 515.8 | 1,034.6 |
| Q3 | 1,980.7 | 1,841.9 |
| Q4 | 745.9 | 2,973.0 |

THE JOHANNESBURG Stock Exchange parted company with stock markets in the rest of the world in the wake of last October's Black Monday, emphasising South Africa's increasing financial and economic isolation from the rest of the world.

While other exchanges hesitantly recovered large parts of last October's losses, the JSE's tentative recovery soon aborted and market indices have been in decline since the start of 1988. Most brokers expect the decline to be extended for the rest of this year, and only a rapid increase in the gold price would change their view.

The market's overall index had peaked at 2,804 on October 19 and plunged 40 per cent to the year's low of 1,675 on November 5. The subsequent recovery, which cama with gold's advance towards $500, lifted the index to 1,890 on January 7 before gold began to slide and tha rot again set in. By mid-May the overall index was below 1,600 and low trading volumes were pushing some of the smaller private-client stockbroking firms to merge and shed staff.

Of course the JSE is driven by gold and it is easy to argue the market is largely responding to deteriorating gold mining dividends crimped by static rand gold prices and operating costs which have been rising by just short of 20 per cent each year. It is easy to argue that thesis, but it does not altogether explain why Johannesburg's investors remain

JSE: isolation from the rest of the world

reluctant to buy shares in companies which have improved substantially in the past 18 months.

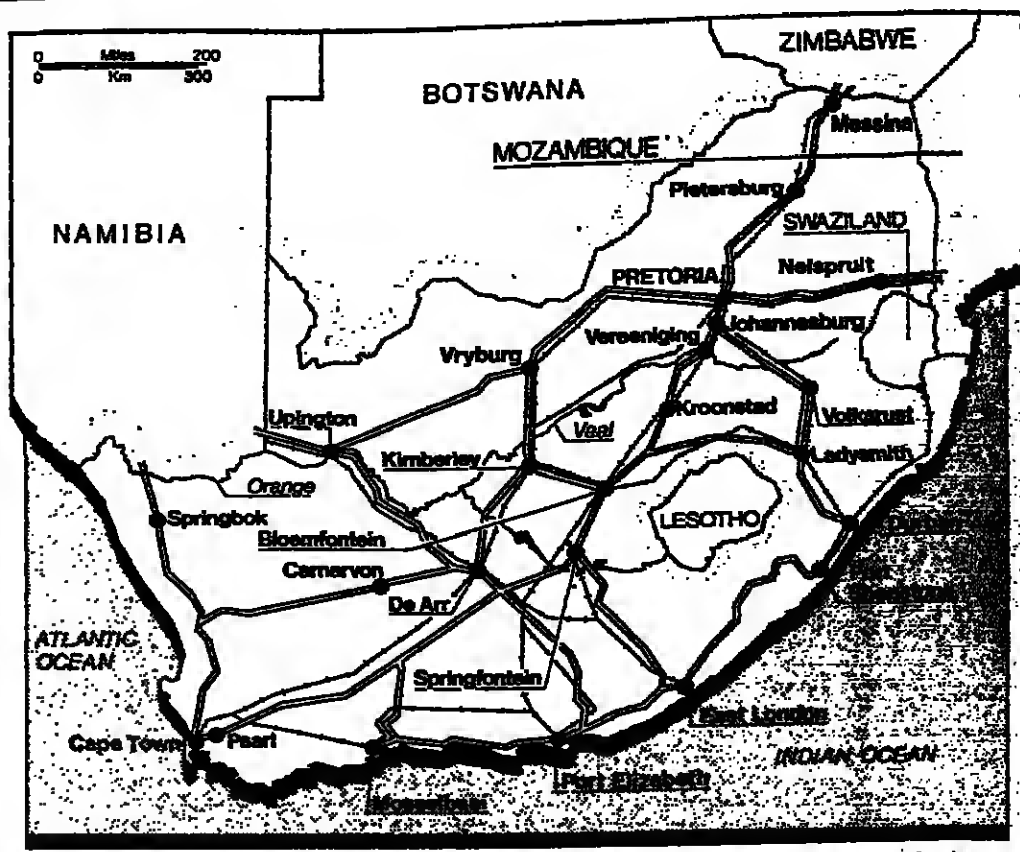
As stockbroker Richard Stuart sees it, shares in many leading companies offer good valne but investors are pot off by the prospect of rising interest rates further affecting share prices. Corporate balance sheets have been strengthened and tbough few firms have been spending to raise capacity, many have protected themselves from further falls in the rand's value against other currencies by building inventories of imported commodities.

Last year and the latter part of 1986 were heady days for the market despite the fact that foreigners were net sellers of South African shares. Equity capital represented a comparstively cheap financing option and led to a flood of new issues and issues by quoted companies. This year it is practically impossible to sell new shares to institutions which were clamouring for new issues before black Monday.

Institutional fund mansgers appear caught in the same web of capital shortages as the rest of the economy. Many institutions which were over-invested as last year's stock market boom peaked are now keeping their investment powder dry in anticipation of large-scale privatisation of state-owned corporations and to finance purchases of firms sold by foreign divestors. But this in itself tends to deprive private sector firms of new and acceptably priced equity capital.

Government is now trying to reduce its massive debt legacy of years of over-spending by selling state-owned assets, threatening to divert funds away from the private sector to the state.

The institutions are also put off equities by credit curbs and interest rate increases orchestrated by the Reserve Bank this year. One fund manager asks why he should invest if the anthorities feel obliged to nip economic recovery in tbe bud before the private sector's investment cycle was under way. As he sees it, corporate growtb prospects are limited by the fact that foreign exchange surpluses are pre-empted by foreign debt repayments.




The reluctance of local institutions to buy equities is exacerbsted by foreigners' unwillingness to buy South African stocks. Apart from fears that American investors might decide to ditch South African shares at almost any price, market sentiment has been affected by the fact that few European investors are attracted to South African equities. In London this year investors have been switching from gold shares into Sooth African gilts on the basis tbat risks are diminished by yields which offer capital recoupment in just over five years.

Foreign investors are no different from locals, mining analyst Keith Bright argues. He says they are steering clear of gold mining shares as flat gold prices and fast-rising mining costs are combining to cut dividends. At present, prospects of capital gains provide no compensation for poorer dividend yields on gold shares. Of course there are many investors, particularly in London, whose ties with South Africa go back many years. And they continue to deal in gold shares. But as Mr Stuart puts it: "They are only trading this market, not investing here."

Paradoxically, the financial rand's discount to the commercial rand indicates something of an improvement in foreign perceptions of the JSE. The effective exchange rate of the financial rand (FR), which provides a measure of off-shore demand for South African investments, discounted that of the commercial rand by less than 30 per cent in May this year. A year ago the discount was in the region of 50 per cent.

But, as one broker sees it, the financial rand's strength is "s mystery". He wonders why the FR's effective exchange rate is so "higb" when the large divestment flows through the FR market do not appear to have been matched by foreign purchases of South African investments.

Jim Jones

Consumer demand

# Boost for motor industry employment

SOUTH AFRICA'S attempts to pull its economy out of recession worked well, too well. Cheap money, easy credit, falling inflation, improving consumer confidence and consumers' needs to replace ageing cars and durables combined to lift retail sales sharply in the second half of 1987 and to give consumer spending added impetus during the first four months of 1988.

Increased spending had been forecast, but its recent rate left motor manufacturers, in particular, affected by component and inventory shortages.

By early-May, however, looming balance of payments problems persuaded the authorities to call a halt to consumer spending which pulls in imports. Interest rate increases alone are probably insufficient to cool consumer demand, economists believe. As a result, they forecast further tightening of hire purchase regulations.

Apart from trade surplus problems, the consumer boom in motors has had two other important effects. It lifted employment in the motor industry to 32,000 at the end of 1987 from 29,000 a year earlier. It is still far short of the 50,000 employed at the end of 1981, but the effect on rust-belt cities like Port Elizabeth, where black unemployment averages abont 50 per cent, has been striking.

The other effect was to draw the Japanese foreign ministry's attention to its country's booming trade with South Africa. Two-way trade with Japan soared to $4bn last year and Japanese motor companies came under pressure from the foreign ministry not to increase their sales to South Africa.

**Furniture retailers are less willing to extend credit because it is far from easy to reclaim goods from people living in turbulent townships**

Toyota, the largest South African carmaker, has responded to plans to increase the local weight content of its cars to 70 per cent from 66 per cent. That is probably the economic limit of local manufacture given South Africa's comparatively small domestic market and limited scope for exports. And this, in turn, has persuaded Toyota to set up alternative procurement channels in case the flow of components from Japan does start to dry up.

The advance in consumer spending bas translated into strong bottom line earnings increases for the major, white-owned retail chains. Earnings increases owed much to resumed buying of durables and semi-durables whicb generally carry greater mark-nps than food or non-durables. However, the retail groups' boards have accompanied reports of higher earnings with warnings that stricter controls on consumer credit could affect sales — none relish the prospect of a return to the grimmer trading days of two or three years ago when tight budgets forced many households to concentrate spending on food.

Ironically, the latest consumer spending spree has not led to an appreciable expansion of black retail businesses. They generally remain critically under-capitalised since bankers are more reluctant to extend credit to blacks than to whites. No-one forecasts a change in the situation despite the opening of some city centres to traders who are not white and the fact that black consumer spending is growing far faster than white. Many individual black businessmen have latched on to this, bnt they have largely failed to turn it to their benefit. Black retailers are, paradoxically, among the strongest supporters of the Group Areas Act since since it keeps the major, well-capitalised white-owned retail chains out of the townships.

Nor has the consumer spending boom been fuelled by appreciable increases in consumer credit granted to black South Africans. According to the University of South Africa's Bureau for Market Research, black consumers account for 40 per cent of the nation's total retail spending, and the total is growing rapidly with increasing urbanisation.

Consumer credit is, of course, available to blacks, but it is generally provided by furniture retailers who charge maximum interest rates and who have been quick to repossess goods when instalments have fallen in arrears. These days they are less willing to extend credit since it is far from easy to reclaim goods from people living in turbulent townships.

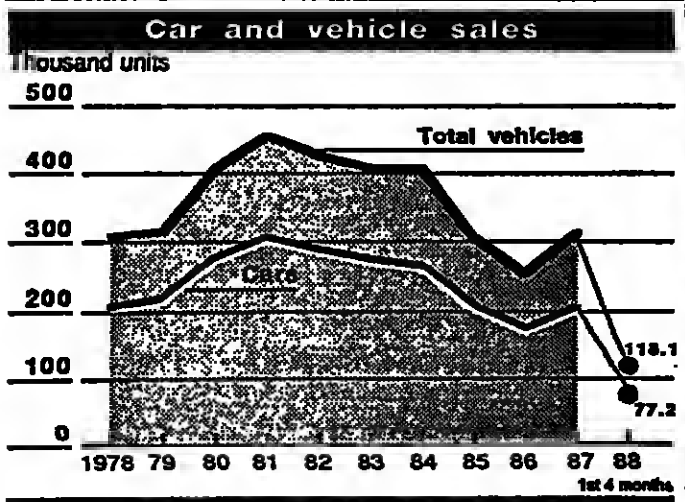
The motor industry has few doubts about the effect of black buying power. It recently calculated that new vehicle sales had risen at an average rate of 5.5 per cent since the 1950s. Purchases by black South Africans are now estimated to rise at an annual rate of 10 per cent to 12 per cent through the rest of the 1980s and 1990s, provided the country's economy and political situation remain on an even keel.

The forecast relies to some extent on the assumption that the white-owned banks can overcome their reluctance to lend to blacks. Bankers' attitudes are slowly changing under pressure from organised black trade associations such as Sabta (Soothern African Black Taxi Association), which represents about 45,000 private taxi operators. Sabta has taken the bull by the horns and used its members' buying power to persuade banks to revise their criteria for making loans. Its lead is likely to be followed by other black trading associations over the next few years.

Jim Jones

The consumer spending spree has not led to an appreciable expansion of black retail businesses

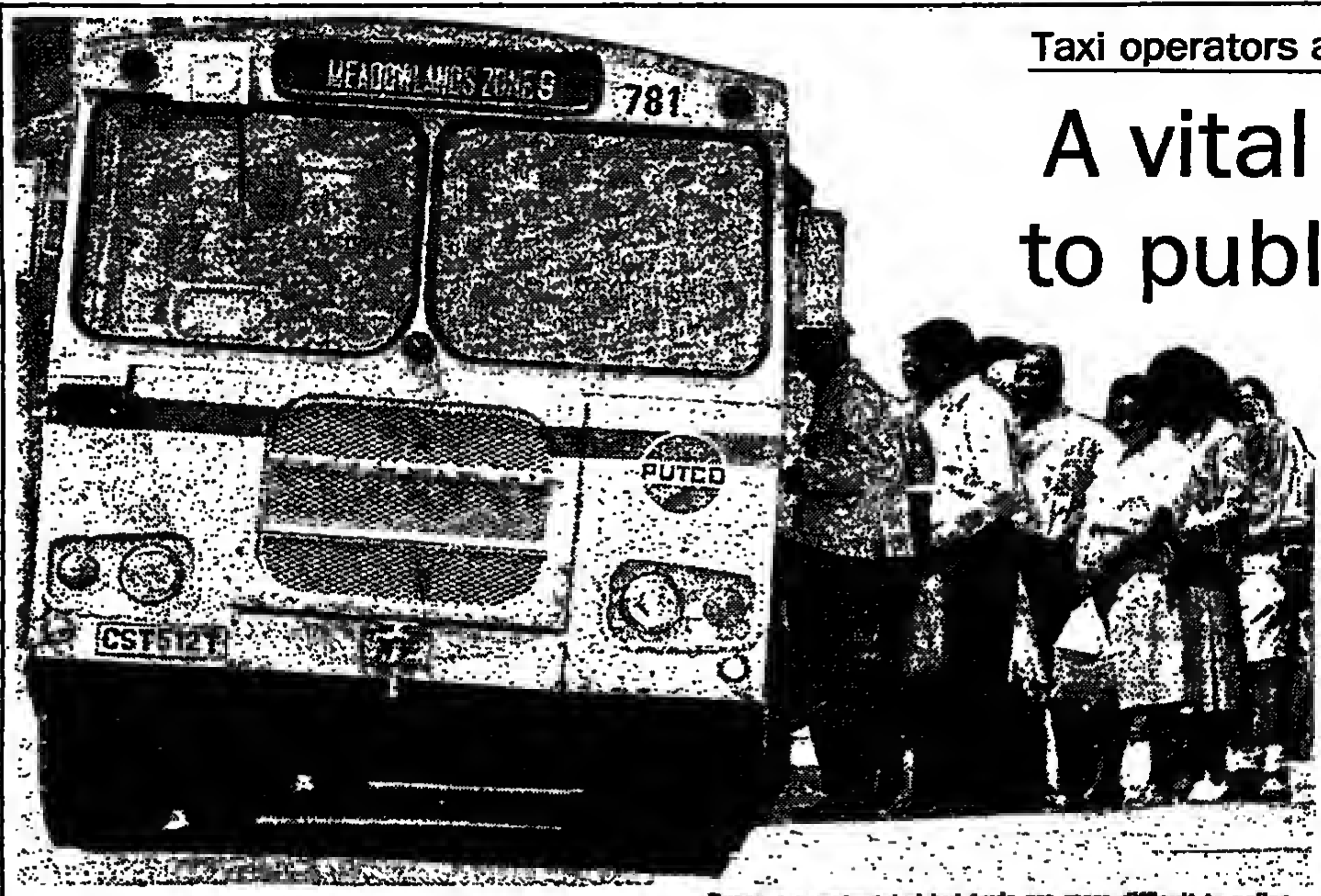
**Car and vehicle sales**






Taxi operators as agents of social change

# A vital alternative to public transport




Buses are segregated but taxis are more difficult to police

ONE FINGER up — I want to travel into the city; one finger down — I want a ride inside the city; band pointing left with fingers extended — I want to take a particular route. Commnters' roadside signals to black taxi operators — part and parcel of black life and a total mystery to most whites — are the marks of a social revolution spearheaded by black entrepreneurs.

On the surface the tax operators are simply providing a transport service based on mini-buses operated as shared taxis. It is safer and more comfortabls to travel by taxi tban in overcrowded buses and commnter trains in which passengers are daily prey to muggers. But, by extension, the shared-taxi industry is rapidly freeing black people from the restrictions imposed by government-controlled transport services designed simply to carry workers between black townships and jobs in the cities.

It is also changing the attitude of the white-owned banks towards black businesses and could well be the opening for blacks to win broader control of the country's transport sector. Taxi operators may not see themselvss as agents for social change, but thsir potential to erode apartheid's structure of controls is realised inside the government.

Transport, like most of South African life, is politically charged. The state-owned rallway aystem and government-regulated bus services help perpetuate racial segregation. Black people are not allowed to travel on most buses serving white suburbs — an added impediment to residential integration.

The plight of blacks was highlighted yet again in May when the driver of a racially-segregated Johannesburg bus drove to the nearest police station to have a black passenger thrown off. The passenger, Ms Happy Madlala, a highly-skilled beart and lung machins operator, wanted to travel from a white suburb to her work at a Johannesburg hospital and refused to heed the driver's instruction to get off the white bus. While the buses and trains remain segregated people like Ms Madlala cannot use public transport to get to work if they live elsewhere than in a black township. It is virtually impossible, however, to police privately-owned taxis.

The development of the black taxi industry would probably have been much slower had it not been for Sabta (Southsrn Africa Black Taxi Association), which represents 45,000 of the country's 120,000 black taxi operators. Led by Mr Godfrey Ntatleng Sabta, it has prised open loopholes in transport regulations allowing fare-paying passengers to be carried economically in 15-seat mini-buses.

The taxi industry has grown from virtually nothing in the early 1970s to an enterprise with an investment in taxis alone of more than R2bn — the equivalent of two new gold mines. It carries about 2bn passengers each year — four or five times the number carried by the state-owned railways and 20 times the number carried by the heavily-subsidised white-owned bus companies.

In many cases the taxi or mini-bus is the only available transport for workers migrating between jobs in the cities and their families left deep in the rural homelands. That, Mr Ntatleng, says, is because the authorities will not admit there are far more people living in the townships than enumerated in official censuses. Facilities such as taxi ranks are only provided based on government officials' estimates of what is needed and the chaos has been exacerbated by the granting of operating permits to anyone who applies.

Bringing some order into this is the task of Mr James Chapman, Sabta's national marketing director and chief strategic planner. His first major task was to persuade the banks that black taxi operators were a good credit risk. Being black in South Africa generally means you are a bad credit risk, at least in the eyes of the white-owned banks. Until recently, men who wanted to buy minibuses to operate as taxis were rarely granted hire purchase credit — white bank managers simply did not believe taxi operation was a serious or profitable business.

An innovative use of the "stokvel", a traditional mutual aid system used by blacks, provided the breakthrough to tapping bank credit. Traditionally, the stokvel operates by people clubbing together to put up money for a weekend party at the house of a gronp member. Generally be would take the cash to buy liquor and food to sell at the party and then use the profit to finance whatever he wanted to buy. The next weekend it would be someone else's turn to take the pool.

Sabta adapted the stokvel to persuade Western Bank (Wssbank), First National's hire purchase arm, to extend loans to black would-be taxi ownsrs. Sabta members contribute to a central fund deposited with the bank as a guarantee against bad debts. Wesbank was also persuaded of borrowers' security by Sabta's agreement to trace defaulters — members of the black organisation are far better able than white credit agencies to track down black defaulters and persuade them to honour their debts.

The system has worked and, so far, the default guarantee fund has not been drawn on. More to ths point, black taxi operators are generally now able to demand and get better hire purchase credit terms than white consumers. This has been the open sesame for black entrepreneurs in other transport-related business seeing how Wesbank has cornered a large part of the hire purchase market.

So, too, are other oil companies following Shell's lead. Shell has sponsored safety competitions for Sabta's members and — more importantly for Sabta and Shell — bas sponsored purchases of service stations by Sabta. The group now operates 17 service stations selling service and parts at discount prices to taxi operators. And they provide a virtually tied market for Shell petrol and oil.

Mr Ntatleng and Mr Chapman are now working on developing Sabta's widar ambitions. Last year Sabta failed in an attempt to buy Putco, the white-owned bus service, after some dubious deals by the taxi organisstion's purported representatives. Nevertheless, Sabta's motive was straightforward. Ownership of the barely profitable Putco would have given it access to an extensive complex of vehicls repair workshops, an extensive communications network, and city centre properties which could have been sold to finance Sabta's own development.

The Putco bid failed, but Sabta has since moved into buses by establishing the passenger services at Umlazi in Natal. The next logical step, Mr Chapman believes, is for black entrepreneura to mova into the goods transport business cnrrently dominated by the state-owned railways and white-owned trucking firms. De-regulation in the transport sector is in the air and Sabta believes it can use its financial clout to put black truck operators in their own lorries.

JJ

Politics

# In a state of flux and disarray

The aim is to defuse black anger by raising living conditions in the townships

POLITICS IN ethnically complex South Africa is always about power, but also about reconciling white fears and black aspirations. Over the last two years white-controlled state power has been directed at reducing both excessive fears and unrealistic expectations.

The restoration of "law and order" in the townships has partially succeeded in calming white fears. But continuing uncertainty about the future has boosted the right wing Conservative Party (CP) and its para-military ally the Afrikaaner Weerstandsbeweging (AWB). This was underlined by three CP by-election triumphs in a row in the Transvaal seats of Standerton, Schweizer-Reneke and Randfontein in March.

At the other end of the spectrum of white politics the Progressive Federal Party (PFP), which lost its official opposition status to the CP at last year's May elections, is re-gronping around its traditional defence of liberal values and exploring some form of alliance with the divided independents. The two main independent groupings are led by dissident Afrikaner Wynand Malan and his rival Denis Worrall, the former ambassador to London.

Black politics is also in a state of flux and disarray. Few politicians, if any, now believe in an imminent revolutionary takeover. Most radical opposition figures are either quiescent, detained or underground. The historic leaders of the African National Congress (ANC) remain in jail or, like the released veteran, Govan Mbeki, living under strict surveillance.

The ANC in exile has suffered a series of major defeats at the hands of the security forces. The police have captured or killed dozens of infiltrating guerrillas and seized their arms, while the army has raided ANC facilities in neighbouring countries and mysterious hit squads have assassinated ANC cadres in foreign capitals. Now the entire military leg of the ANC's politico-military strategy is threatened by a possible negotiated settlement to the Angolan war which would deprive it of its main training and operational bases.

Meanwhile, a fundamental restructuring has taken place in the South African system of government. Faced with what Pretoria's military, political and security establishment still defines as a "total communist-inspired onslaught" the Afrikaner-dominated State has reacted with its own security-based counter strategy.

In effect this is a parallel system of government which covers the country, and especially the black townships, in a network of non-elected, security-dominated "joint management centres" (JCMs) co-ordinated into a so-called "national security management system" (NSMs).

Set up initially to "normalise" the black townships which were in revolt they are now the spearhead of a technocratic township upgrading programme. This is designed to defuse black anger by raising living conditions in the townships through tarring roads, laying on electricity, clean water and sewerage, and encouraging owner-occupied housing through the sale of council houses and a massiva new building programme.

The theory is that repression of "radical" organisations and alleviation of material grievances will cut the ground from beneath "radical" blacks intent on following the ANC'a guldelines of "making the townships ungovernable" and building "alternative structures" based on street committees and "peoples courts".

Not content with weakening black opposition groups by detentions, the government, with the prompting of the security forces, effectively banned 17 organisations, inclnding the major black co-ordinating body the United Democratic Front (UDF), on February 24 and imposed restrictions on the political activities of trade unions.

The net result of these massive inroads into civil liberties and civil society has been a further lurch from an authoritarian to an increasingly totalitarian state. The distancing from western democratic models has been partly deliberate, partly a response to a perceived threat to the white power structure.

The 1984 constitution rejected "the Westminster system" on the grounds that simple majority rule, even with all the checks and balances, was inappropriate for a multi-ethnic society. Instead, what is now widely seen as the deeply flawed tri-cameral constitution gave greater powers to the executive at the expense of the racially segregated Parliament for whites coloured (mixed race) and Asians.

The overweening power of the executive is partly a reflection of the personality of President PW Botha for whom the constitution was tailor-made. He is head of party, state and government, and rules in what critics within and without his party perceive as an increasingly imperious and authoritarian style.

In a major policy speech in Parliament on April 21 Mr Botha himself recognised the excessive burdens, rather than powers, of his office and proposed a constitutional amendment which would re-create the post of prime minister to run the government. This would leave the president to deal with affairs of state and concentrate, above all, on ways of bringing blacks into the system without losing overall white control.

Sources close to the President report that he is still in robust good health at 72 years of age and prepared to carry on, if re-elected for another five year term by the parliamentary electoral college.

Many in his own party, however, feel that 10 years in power is enough and there is much jockeying for power behind the scenes. The list of possible contenders ranges from Mr Chris Heunis, the minister for constitutional affairs, Mr FW de Klerk, the Transvaal party boss and minister of national ednoation, throngh to General Magnus Malan, the defence minister and Dr Gerritt Viljoen, the minister for black edncation. Mr Pik Botha, the foreign minister, who is electorally popular but has no power base in the all-important party caucus, retains an outside chance along with Mr Barend du Plessis, the youthful finance minister, still generally regarded as a lightweight.

Mr Pik Botha

The proposed division of executive power between a president and a prime minister, meanwhile, has muddied the snccession waters and raised the prospect of various combinations. That now being touted by the more liberal or "verligte" wing of the National Party would have Dr Viljoen, a former head of the Broederbond and the most scholarly and intellectual of the candidates, as a future state president in tandem with Mr FW de Klerk as prime minister. The scenario most favoured by party conservatives or "verkrampte" would place General Malan in one or other of the top positions.

Meanwhile, the Conservative Party bides its time and hopes to gain control of town halls and local councils nationwide in October's municipal elections. These will involve local authorities from all race groups for the first time. If the CP does as well as it hopes, it will greatly complicate government plans for functioning regional service councils (RSCs). These links between ethnically separated local councils are designed to channel resources from more affluent white councils to help finance infrastructure development in nearby black areas. It is not a popular concept among business, which will foot much of the bill, nor among Conservative white voters.

The local elections thus provide an opportunity for the CP to build a powerful local springboard for general elections next year or in early 1990. The future at that point becomes obscure.

**Anthony Robinson**

Trade unions

# Greater emphasis on shop floor issues

Mr Cyril Ramaphosa

IT WAS briefly like old times at the special Cosatu trade union congress at Witwatersrand University last month. Hundreds of youthful shop stewards stamped a rythmic "toyi-toyi" war dance and sang "Tambo uyabnya" – Tambo is coming home.

The defiant song in support of Oliver Tambo, leader of the banned African National Congress in exile, mocked the government's February 24 ban on political activities by trade unions. This was part of its wider crackdown on the United Democratic Front and 16 other opposition groups.

But the mocking was committed, as it were, by consulting adults in private. The police made no attempt to intervene – and proceedings of the congress, convened to protest the new political restrictions as well as proposed amendments to the Labour Relations Act, reflected growing awareness that in a repressive climate prudence demands greater emphasis on basic shop floor issues and less on confrontational – and now illegal – political campaigns.

This did not stop the conference calling for three days of "national peaceful protest" in early June or yet another conference to oppose "apartheid repression". But more thoughtful union leaders and the strong "workerist" element in the movement are aware that the unions are now faced by better trained management which has adjusted fast to the reality of a black labour force which is now 34 per cent unionised.

Last year unionised workers, spurred on by Cosatu's "living wage campaign", managed to keep ahead of inflation with average 19 per cent wage and salary increases. It may be harder to repeat the exercise this year. The economy is now expected to cool down fairly rapidly over the second half. Although many companies reported sharply higher profits on the back of a short-lived consumer-led boom, management is becoming aware that unit labour costs have become uncompetitively high because of high inflation and low productivity growth.

The most dramatic evidence of a hardening of employers' attitudes came during last year's three week-long strike by an estimated 300,000 black miners. It was called off after Anglo American Corporation, the most unionised as well as the largest mining group, sacked over 40,000 men and threatened to close several shafts. At the end of the strike Mr Cyril Ramaphosa, the NUM general secretary, warned that it was only a dress rehearsal for an even more determined assault on the citadels of mining power in 1988.

Now this statement looks even more rhetorical than it did at the time. Last year's nearly 20 per cent rise in mining costs, and this year's underlying weakness in the gold price, have badly affected mine profitablity. According to Anglo, no less than 41 per cent of mines are now marginal or loss making.

The NUM has put in a 40 per cent wage claim plus higher benefits. This is lower than last year's 55 per cent opening bid but Chamber of Mines negotiators will be trying to keep the final award close to the inflation level of around 14 per cent.

**The gap has widened between a growing army of unemployed and a smaller, but more highly paid, unionised work-force**

Higher wages have spurred the move towards more capital intensive, mechanised mining – staffing on new mines is often 50 per cent below traditional levels. Similar developments have led to massive job losses in the engineering and other industries. One of the unintended side-effects of rapid trade unionisation, combined with low growth, has been to widen the gap between a growing army of unemployed and a smaller, but more highly paid, unionised work-force.

Meanwhile, last year's strike statistics demonstrate how the unions became more militant, and more strike prone, as the state of emergency shifted the fight against apartheid from the townships to the factories and mines.

According to the annual report of the director general of manpower, the number of strikes rose last year to 1,148 from 793 in 1986, and they lasted more than three times as long, rising from 3.1 to 9.9 days on average.

Lengthy strikes involving public sector railway and postal workers, as well as miners, shop workers, food, chemical, engineering and other sectors, pushed man days lost up by 800 per cent to over 9 million, according to labour consultant Andrew Levy.

This is the statistical background to the government's decision to ban political activity by the unions and amend the Labour Relations Act. The latter will make it illegal for the unions to participate in sympathy strikes and will make it much more difficult to organise legal strikes. They also restrict the powers of industrial courts which have, with past rulings, tended to enlarge trade union rights.

On both the political and economic fronts the unions face a challenging year. But employers are nervous that further restrictions on legal union activity could increase the number of wildcat strikes and make organised labour relations more difficult.

**AR**

Homelands

# Underlying tensions surface

A Botshabelo mother and her sons bring water to their new home

HOMELANDS ARE what the Verwoerdian vision of grand apartheid or separate development was all about. According to the original theory outlined by then prime minister Dr Hendrik Verwoerd, there should not have been any black South Africans by now.

They should all be citizens of their own independent countries with fancy names like Qua-Qua, Kangwane and Bophuthatswana, or the more familiar Transkei, Ciskei and Kwazulu. According to tha master plan, the only South Africans by now would be white. It is still a vision of the future offered by the opposition Conservative Party.

The national party government, which celebrated its fortieth anniversary in power last month, reluctantly came to the conclusion a few years ago, however, that turning the southern tip of Africa into a white-dominated confederation of states was not feasible, at least not in the pristine version.

The clincher was the refusal of the Zulus, led by Chief Mangosuthn Buthelezi, to follow Transkei, Venda, Bophnthatswana and Ciskei (the so-called TVBC countries) into a form of independence recognised by no other country but South Africa. Without the Zulus, the largest tribe with the most warlike traditions, the dream proved unrealisable.

This does not mean, however, that the existing homelands are about to be dissolved, or that their 14 million inhabitants will be re-incorporated into a unitary South African state, as demanded by the African National Congress. On the contrary, the government is about to pass a new bill giving greater powers and more antonomy to the six non-independent homelands of Kangwane, Kwandehele, Kwazuln, Lebowa, Gazankuln and Qua-Qua.

Meanwhile, months of violent clashes between supporters of the Zulu Inkatha movement and the United Democratic Front (UDF) in Kwazulu, and military coups in Transkei and Bophuthatswana over the last six months, have revealed severe underlying tensions in the major homelands.

*Chief Buthelezi is pressing for* the incorporation of the troubled area around Pietermaritzburg into Kwazuln where opposition to Inkatha would receive short shrift from the Kwazulu police. He is also growing increasingly impatient with government refusal to allow the re-integration of the homeland into a non-racial administration for Natal province as proposed by the "Kwa- Natal Indaba".

Meanwhile the issue of homeland corruption and the emergence of a new generation of homeland "young turks" was highlighted by the establishment of a military government in Transkei under General Bantu Holomisa at the new year and Pretoria's military intervention to undo a somewhat ahambolic military coup against President Lncas Mangope of Bophuthatswana three months later. The use of the South African army to crush the short lived "Bop-coup" underlined the limits of "independence". But a more subtle shift has also taken place in the instruments of Pretoria's hegemony.

In essence, Pretoria has tightened the purse strings. This is partly in reaction to top level corruption and inadequate financial control by homeland administrations over the billions of rand transferred to them by Pretoria every year to finance services formerly provided by South Africa to its erstwhile citizens. A key role in restoring order to the homeland books is being played hy the Development Bank of Southern Africa which over the last five years has pumped R5.87bn into 1,050 infrastructural development projects in the homelands.

Modelled closely on the World Bank, the DBSA, which has shareholders that inclnde the four "independent" homelands, has been deeply involved since 1986 in "joint financial adjustment committees". These were set up to monitor and restore discipline to homeland finances. It is also heavily involved in financing the Lesotho Highlands water scheme. If current negotiations for peace in Angola and rapprochement with Mozambique bear fruit, the DBSA, under its chairman Simon Brand, hopes to play an even bigger role in co-ordinating wider regional development.

In the meantime, however, the tradition of administrative arrogance, which led to the forcible removal of over three million people from their homes to the often barren hillsides of the fledgling homelands in the 1970s, is far from dead.

This was recognised by the Bloemfontein appeals court on March 29 whan it rejected as unlawful the government's plans to incorporate over 120,000 Sotho-speaking inhabitants of the Moutse district into the new homeland of Kwandebele, north of Pretoria. The court found that this contravened the intention of the 1971 National States Act, which legitimised forced removals in the name of "ethnic consolidation".

In effect the court ruled that Pretoria was contradicting the very ethnic principle it used to justify homelands by incorporating people of different ethnic backgrounds and languages into the same state.

Last month the supreme court struck another blow against Pretoria's plans for an "independent" Kwandebele when it ruled that the 1984 elections were null and void becausa women were excluded from the vote. This further undermined the standing of the controversial chief minister George Mahlangn who has presided over more than two years of violent protest against independence in which over 140 people were killed.

In a move strongly criticised by many lawyers Mr Chris Heunis, the minister for constitutional development, made clear after the Moutse judgement that the government intended to go ahead as planned and would simply amend tha law to maka Moutse'a re-integration possible.

Further proof of the continuing steam-roller approach to legal niceties and public opinion was evident in the forced incorporation of the estimated 500,000 inhabitants of the Botshabelo squatter camp in the Orange Free State into the tiny Qua-Qua homeland – its capital, with its newly-built parliament and sports stadium, is over 100 kms away.

Old habits die hard and the homelands remain ona of the most controversial elements of South Africa's racial politics. To their many critics they remain simply poverty-stricken dumping grounds and cheap labour reservoirs. To thair apologists they represent a form of partnership between first world white South Africa and Third World rural black Africans which provides for the transfer of skills and capital. They also offer a limited form of political antonomy and tha chance to hone the skills of modern administration and government. Like so much in South Africa, there are elements of truth and hypocrisy in both views.

**AR**

**Michael Holman** on the complexities of achieving peace in a violent region

# Negotiations could mark a watershed for southern Africa

*"ANGOLAN JETS cross border . . . Cuban force pushes South,"* proclaimed the banner headlines in South African papers last week.

*"US arms Unita through Zaire,"* runs another headline, referring to the Angolan guerrilla movement led by Mr Jonas Savimbi.

It is too early to tell whether these military manoeuvrings will become a flashpoint in an intensified regional conflict, or whether they reflect a jockeying for strategic ground ahead of this month's scheduled four-country peace talks.

But the build-up in border tensions underlines the gravity of a conflict which, last month, brought together the main protagonists for a meeting that may mark a watershed for southern Africa.

The negotiations set in train by the unprecedented London gathering of senior officials from Angola, Cuba, South Africa and the US, could have far reaching results: peace in Angola and independence for Namibia (South West Africa).

Such an outcome could force the African National Congress (ANC) into a major strategic reappraisal, and possibly give Pretoria a respite from international pressure for wider economic sanctions.

Failure, however, would push an already violent region into further confrontation.

As Dr Chester Crocker, the US assistant secretary of state for Africa, pointed out after the London talks (followed up in mid-May by an Angola-South Africa meeting in Brazzaville), a combination of three main factors may help break the deadlock in the 10-year effort to end the fighting in Angola and implement a UN plan for Namibia's independence.

All participants in the Angolan conflict – the MPLA government backed by 40,000 Cuban troops, and Unita rebels supported by South African forces and equipped with US-supplied Stinger anti-aircraft missiles – appear to acknowledge that there is a military stalemate.

Heavy fighting in southern Angola over the past six months blocked a major Soviet-supported and -equipped advance by Angolan government Fapla forces, stiffened by Cubans, but has left *neither side with a clear military* advantage.

At the same time, there is what Dr Crocker calls a growing convergence of interest between the US and the Soviet Union over an issue sufficiently important to have been prominent on the agende at the recent Moscow summit.

Neither side is comfortable about the spectacle of its proxies fruitlessly slogging it out, destroying Angola's economy and keeping closed the Benguela railway line which used to carry copper from Zaire and Zambia to the port of Lobito.

Moscow, meanwhile, though holding to a different vision of a post-apartheid South Africa, has indicated that it accepts that ending white rule will be a lengthy and complex process.

The third factor is that all parties have agreed, in principle at least, on a plan which sets out the basis for peace: a UN-monitored, seven-month transition leading to independence elections, linked by Pretoria and Washington to a *withdrawal of* Cuban forces.

The obstacles to success, nonetheless, are formidable.

There remains a wide gap between the disengagement timetable offered by the two sides. Luanda proposes a Cuban withdrawal to northern Angola, reciprocating South Africa's troop departure from southern Angola and Namibia itself. A total withdrawal of the Cubans would take four years, says Luanda.

Pretoria is thought to be insisting that the exercise be completed by the time Namibia becomes independent – less than a year.

This issue alone could upset the negotiations. But two more formidable hurdles have to be cleared: Pretoria maintains that a place must be found in the Angolan government for Dr Jonas Savimbi and Unita; and it is also expected to demand that both an independent Namibia and Angola sign non-aggression pacts, similar to a 1984 agreement with Mozambique which *precludes military assistance to the* African National Congress.

Efforts to reconcile Luanda and Unita, involving among others General Obasanjo, the former Nigerian leader, and President Joaquim Chissano of Mozambique, have so far met with little success.

Mozambique is playing an additional role. The 1984 Nkomati accord did not end South African clandestine assistance to the rebel Mozambique National Resistance, as promised; while Pretoria claims that ANC units continued to infiltrate from Mozambique into South Africa via Swaziland.

But a rapprochement between Maputo and Pretoria is under way, possibly to be marked by a meeting between President Chissano and President Botha.

Aside from bilateral benefits, this development may help convince sceptical governments in Angola and independent Namibia that Pretoria will honour its side of the bargain.

The corollary – that Angola *would have to close its important* ANC training camps – is a bitter pill for President Eduardo dos Santos to swallow. Such a move would create a *cordon sanitaire* along South Africa's borders. Although impossible to make watertight, it would prove a major setback to the ANC's guerrilla army.

This regional package, despite the balance of advantages it offers South Africa, gets a mixed response in Pretoria. President Botha has never been comfortable with Resolution 435, and still hankers after a South African-designed "internal settlement" in Namibia – although a senior government official insists that Mr Botha has accepted that the price of a Cuban withdrawal is Mr Sam Nujoma, the Swapo leader, as president of independent Namibia.

The South African army is loath to abandon its Unita ally, and senior officers suspect that Dr Savimbi could emerge as the loser from a settlement.

The most flexible – though far from optimistic – approach is taken by the Ministry of Foreign Affairs, where Mr Pik Botha has long advanced a more imaginative approach to South Africa's problems, both domestic and foreign. It is also a ministry with limited political clout.

But time is running out for the negotiators. Dr Crocker warned that the window of opportunity begins to close as US presidential elections draw nearer, and Congress considers a bill which would all but end trade with South Africa.

Few observers believe that the bill will be enacted as it stands, but as South Africa also begins to assess the implications of a possible Dukakis presidency the "do your damndest, we'll go it alone" attitude to sanctions is being replaced by a more sombre assessment of the consequences.

Meanwhile, South Africa's relationship with its traditional trading partners in the US and Europe is undergoing a sea change as businessmen shift their sourcing and marketing towards the Far East, especially Taiwan, and the less developed countries.

The major question remains over South Africa's future relationships with its neighbours in the region and black Africa as a whole.

Some officials argue that the real importance of Mr Pik Botha's brief foray to Brazzaville, capital of the Congo, lay in the fact that a government ostensibly hostile to South Africa was prepared to receive him at all.

Such an assessment reflects the wishful thinking that sometimes accompanies Pretoria's view of Africa.

It is a school of thought that could be likened to taking comfort from the wave of a friendly native on the bank as the canoe without paddles heads for the rapids.

## Namibia

# Battle lost long ago for hearts and minds

NOBODY IS awaiting the outcome of the current Angolan peace talks more anxiously than the inhabitants of Namibia's Ovamboland war zone, just south of the Angolan border.

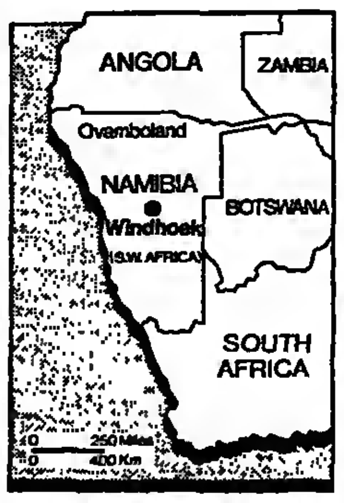
For more than 20 years they have been on the front line as the main operational area of guerrillas of the South West Africa People's Organisation (Swapo) led by Mr Sam Nujoma, and since 1975 as the rear base for the South African army's frequent forays into Angola.

A handful of bored soldiers manning an animal inspection post is an incongruous demarcation line in the war which has drawn in the super powers, and could well determine the political and economic future of southern Africa.

Between them and the territory's capital, Windhoek, lie hundreds of kilometres of sparsely populated scrub and distant mountains of ancient eroded rocks.

The inspection post has as much to do with the adjacent Etosha Pan wildlife reserve as it has with the 22-year war for Namibia's independence.

But it marks a *de facto* boundary of Ovamboland, home of 60 per cent of the country's 1.2m people and political stronghold of Swapo, fighting since 1966 for Namibia's independence from South Africa.




Another 100km down a road interrupted by two more road blocks – sandbanked emplacements manned by markedly more businesslike soldiers – is Ondangwa, administrative centre of Ovamboland.

A dusk-to-dawn curfew is in force, and an atmosphere of war is pervasive. At his desk, in the guarded enclosure which houses his office complex, sits Mr Peter Kalangula, chief minister of Ovamboland, but subject to Pretoria's authority, exercised through an Administrator General in Windhoek. He is caught up in a crisis.

The South African army (which includes the South West Africa Territorial Force) has set up bases in the vicinity of three schools in the area. This exposes the pupils to unnecessary danger, argues Mr Kalangula, who sympathises with the 20,000 or so who have stayed away from classes in protest.

In an adjacent room, one of Mr Kalungula's aides presents a documented account of South African military brutality, black propaganda and dirty tricks aimed at discrediting Swapo. The army hits back with counter-charges of intimidation and brutality by Swapo, and the incarceration of dissidents in Angolan punishment camps.

In his office a little way down the road, Bishop Kleopas Dumene, head of the Evangelical Lutheran Church, speaks passionately of the misery caused by the war.

The day before, back in Windhoek, a senior member of the territory's multiracial "internal government" referred bitterly to Pretoria's rejection of its draft constitution for majority rule in the territory.

From a range of conversations, three points emerge. South Africa may be containing the war in Ovamboland, but it long ago lost the battle for hearts and minds. This in turn helps undermine Pretoria's long-running efforts to negotiate an "internal settlement", an objective now ruled out by some of the frustrated members of the ethnically-based administration in Windhoek.

Finally, it is apparent that a solution to the conflict lies not in Windhoek, but in the external negotiations currently under way, and which bring together the main protagonists: South Africa, Angola, the United States, Cuba and (indirectly) the Soviet Union. What began as a low-key war for Namibia's independence is inextricably linked with efforts to resolve Angola's civil war.

The roots of this complex dispute go back decades. Following the occupation of the former German colony by South African troops in 1914, Namibia (South West Africa) was run by Pretoria as its fifth province, defying successive United Nations attempts to recover a mandate originally granted by the League of Nations.

Until 1974, Namibia was an African backwater. But the 1974 coup in Portugal, which led to Angola's independence the following year, set off a train of events which turned a little known dispute into a wide-ranging regional conflict.

Some 40,000 Cuban troops today reinforce the MPLA government in Angola in their battle against Unita rebels of Dr Jonas Savimbi, heavily backed by South Africa and the US.

In principle, at least, South *Africa has accepted UN resolution* 435, drawn up in 1978, which envisages internationally supervised elections leading to Namibia's independence. But both the US and South Africa have insisted that implementation be linked to a withdrawal of Cuban troops from Angola, which would match the departure of Pretoria's forces from southern Angola and from Namibia itself.

For several years this condition has proved an insuperable obstacle. And, in the meantime, Pretoria has been looking for an alternative, internal settlement in Namibia.

This process began in the mid-1970s, when delegates to a constitutional conference in Windhoek – boycotted by Swapo – agreed to establish one of Africa's most complicated and bureaucratic systems of government. No fewer than 11 ethnically-based administrations were set up, each with responsibility for their "own affairs", such as health, housing and education.

Subsequent developments have been tortuous. *Internal elections* – again boycotted by Swapo – produced a multi-racial coalition administration with limited powers, which lasted four years until internal divisions led to its dissolution early in 1983. For more than two years Pretoria then exercised what amounted to direct rule, until the installation in June 1985 of a "Transitional *Government of National Unity*". It continues to exercise limited powers, but its authority declines by the day.

Its critics acknowledge that the "government" can claim some achievements. Much of apartheid in Namibia has been dismantled, although education and health services remain segregated. But it seems apparent that Pretoria, while keeping open the option of a settlement based on Resolution 435, has given priority to the views of the territory's 80,000 whites.

Most of them support the National Party of South West Africa, the members of which appear to share the values of South Africa's extreme right Conservative party rather than the cautious reformist stance of President Botha.

Mr Botha, acutely aware of the potential political repercussions in South Africa itself of an independent Namibia, appears reluctant to challenge this tiny minority.

The credibility of the local *administration* has, as a *result*, been fatally eroded. Its base has narrowed rather than widened, notably in February 1982 when Mr Kalangula withdrew from the governing coalition.

Mr Kalangula, leader of the Christian Democratic Action party, is playing his cards close to his chest. Just as Chief Mangosuthu Buthelezi uses the homeland *of KwaZulu as a political* base but opposes apartheid, so Mr Kalangula turns the Ovamboland administration to his own advantage while advocating the implementation of UN Resolution 435. Whether, in this event, he would contest elections under the CDA banner or throw in his lot with Swapo is unclear. In the meantime, he remains a thorn in Pretoria's side.

Any lingering claim to credibility by the *"government of* national unity" was destroyed earlier this year when Pretoria effectively vetoed the administration's carefully drafted majority rule constitution, which won the backing of all main internal parties – with the critical exception of the South West Africa National Party.

One senior member of the *internal government* acknowledges that the position appears irrecoverable: "I'm now resigned to Resolution 435, but will Mr Botha come round to it? I simply don't know."

What strategy South Africa pursues is unclear. The past 10 years have illustrated Pretoria's seemingly endless capacity to find new variations of the *internal settlement policy*. On the other hand, President PW Botha may at last be ready to concede Namibia's independence as part of a broad southern African peace process.

In the meantime, Namibia remains a pawn on the regional chessboard.

**Michael Holman**

**Remains of a bank: 18 people died in this bomb blast in February**



## Tourism

# Beautiful and seductive land

"AH, BUT your land is beautiful," said many a foreign visitor to the late Alan Paton at his home in Natal's Valley of a Thousand Hills. So beautiful that the *struggle for control over it has* been fought with a passionate intensity which has caught the attention of the world at large.

A visitor curious to find out more could do worse than read *Paton's classic* "Cry the *Beloved* Country" or indeed "Ah, but your Land is Beautiful" before arrival and so gain an insight into the historic injustices, moral dilemmas and human virtues of the inhabitants of this southern tip of Africa.

Nothing, of course, could be further from the holiday intentions of the average tourist who, when he or she goes on holiday, wants a holiday and certainly does not want to get caught up vicariously and dangerously with the host country's politics. That simple truth lay behind a dra*matic fall-off in foreign visitors* to South Africa during 1985/6 when the townships erupted in violent protest against apartheid and television cameras were there to record both the violence and police repression.

Now, with "order" restored in the townships and television coverage a distant memory, some 400,000 overseas visitors are expected to spend over R1.2bn this year. The figures are peanuts compared with the 44 million who will visit Spain, for example. But they still represent virtually the maximum possible, given capacity limits imposed by the ban on direct flights from places like the US and Australia. Tourism is an industry with huge untapped potential, which will require heavy investment and, above all, an end to South Africa's "polecat" status to achieve.

In purely physical terms the only time whites in general, and foreign tourists in particular, were remotely at risk was a brief period in late 1985 when youths *stoned cars on the road* to Cape Town airport and nervous Capetonians joked that they would emigrate if only the airport road were safe enough.

Those tourists who did come *found that the devalued rand* and virtually empty hotels gave them the holiday bargain of a life time. Many went back home after visiting the game parks, mountains and beaches proclaiming to all who cared to listen that what they read in the newspapers and saw on the television was a monstrous lie.

What they meant was that it is perfectly possible to visit South Africa, drive for thousands of miles along excellent roads, stay cheaply in impeccable thatched huts in some of the world's best game reserves or in luxury hotels and *country clubs* and *hardly* ever even glimpse a black township or pass through a homeland.

Such a tourist would find himself served by unfailingly polite black waiters and smiling chamber maids, be pleasantly surprised to find an increasing number of middle class and wealthy blacks as guests in the same hotel, and shop in downtown business districts thronged with black office workers and shoppers and never feel either afraid or threatened.

In other words, they would visit, physically and mentally, the South Africa in which most white South Africans live, that 83 per cent of the country which includes all the white city centres, suburbs and country towns *as well as the mines, the factories*, the big farms, the beaches and some, but certainly not all the most spectacular scenery and beaches. They could even visit the game parks, enjoy the marvellous climate and feel themselves truly in Africa. It is a beautiful and seductive place, which shows you just how much whites stand to lose if the transition to a more just distribution of power and wealth is botched.

**Taking advantage of the safety of a zebra crossing**

For the more adventurous tourist the best way to see the country is to take advantage of cheap car and mini-bus hire rates. The country is grand and excellent roads make light of the kilometres. Many of the small country hotels have been hardly touched for decades. They offer cheap, simple food, clean accommodation and, above all, that indefinable sense of being transplanted back to the simpler 1940s. It is also a great camping, hiking and fishing country.

Some of the most beautiful and spectacular scenery, however, is to be *found in the homelands* and the two landlocked kingdoms of Swaziland and Lesotho. Over-populated, over-grazed and badly eroded, the homelands are Third World South Africa. Tacked on to each is an Afrikaner bureaucratic-nouveaux-riches-style capital "city", each with its gambling casino, luxury hotels, "parliament", university, shopping centres and suburbs for homeland officials and the new middle class. Much of Pretoria's financial assistance ends up here.

In the deepest rural areas of Zululand or the Transkei, with its magnificent "wild coast", the old tribal traditions still survive, *however. This is the Africa of* traditional mud and thatch "rondavels", where women wear elaborate bead jewellery and big hats and smoke pipes. Everywhere there are barefoot children – and older ones in black uniforms trudging for miles to school. It is here, along the endless dirt roads with dust blowing through all the cracks, eagles in the blue sky and mountains *looming on the horizon*, that you really feel in Africa.

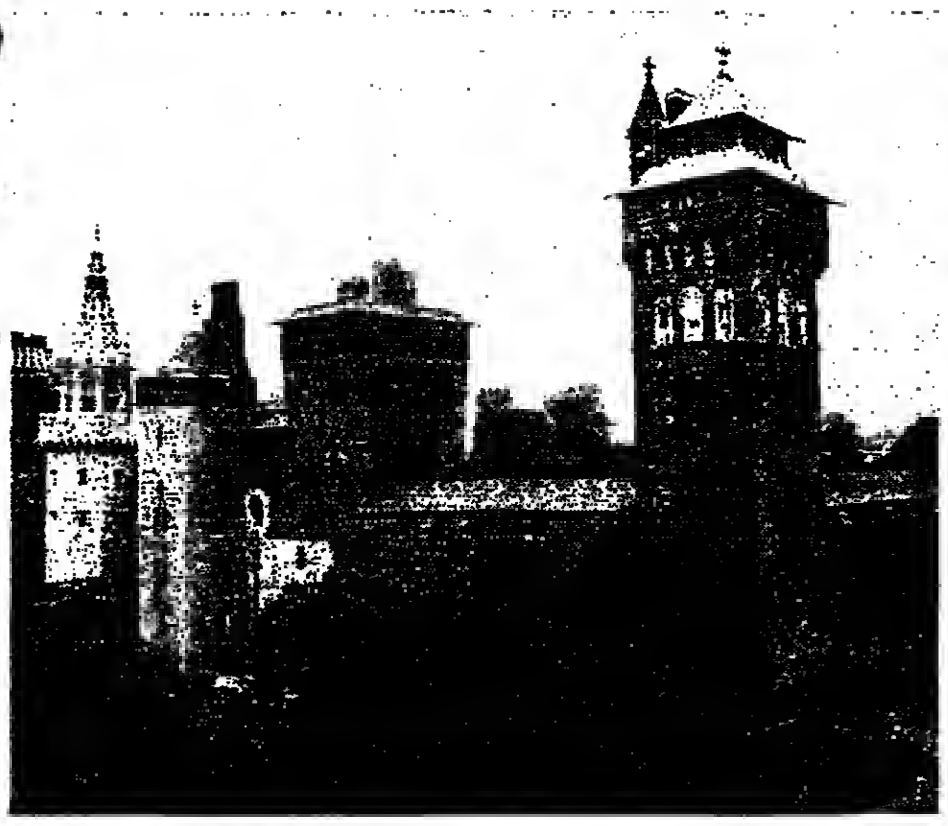
**Anthony Robinson**

SECTION IV

FINANCIAL TIMES

# SURVEY

Following the disappearance of its once massive coal trade, and the more recent loss of steel and manufacturing jobs, the Welsh capital has embarked on an exciting new phase in its history. **Anthony Moreton** the author of this survey, looks at key aspects of the city's...



# CARDIFF

## Economic rebirth

ONCE A week this summer a Boeing 747 slowly gathers speed along Cardiff's airport before launching its enormous weight into take off. The jumbo is destined for Toronto, the first time a scheduled Transatlantic flight has linked Wales and the New World.

"The introduction of the service is an important step forward for the airport, which will soon add Paris to its list of European flight destinations. It is also symbolic of the way Cardiff is developing into what Mr Tim Holder describes as "the most exciting city in Britain."

Mr Holder might be considered a biased witness: he was born and educated in the city and is now chairman of an architectural practice, Holder Mathias Alcock, that is 21st in size in the UK.

Mr Holder has reversed common procedure and opened an office in London while keeping his headquarters in a converted warehouse in Cardiff's docklands.

Others, though, brought up outside the city, share his enthusiasm. Mr Arthur Gilbert, manager of Marks and Spencer, who came to work in the area, describes Cardiff as "the best-kept secret in Britain." And Mr Gwyn Davies, a solicitor with Edward Lewis, who has returned after working in London, describes it as "one of the fastest growing cities in Europe." The economic rebirth of Cardiff happened little more than 10 years ago. Once, at the outbreak of the first world war, Cardiff was respected around the world as the centre of the coal trade. The Coal Exchange, in the heart of the docklands, set the price of coal in Tennessee as in Tonypandy.

*The decline of Cardiff after* 1920 was a mirror image of the decline of coal. The city lost its way, lost its confidence and lost the ability to pick itself up. When the East Moors steelworks closed in 1978 with the loss of some 5,000 jobs it could have pronounced the death knell of the city.

*Instead*, it was a watershed. It came just as the city was beginning to believe in itself once more. Two decades of internecine planning arguments from the mid-1950s had seen the shopping and commercial heart of Cardiff atrophy. Proposals to make Cardiff the first city in Britain, perhaps in Europe, with split-level city-centre shopping and pedestrians one storey above the traffic, had come to nothing and countless investment plans collapsed; leaving Cardiff still with the physical appearance of a 1930s city, while Birmingham with its Bull Ring, Manchester with its Arndale Centre, Newcastle with its Eldon Square and others moved ahead.

But by the late 1970s, Cardiff was beginning to pull itself together. There were new plans for a pedestrianised shopping centre, a big concert hall and other amenities.

The Welsh Development Agency, set up in 1976 by an interventionist Labour government, had started to make new premises available. The fact that Cardiff was a regional seat of government began to be felt so that when East Moors closed the city did not collapse under the economic pressure but had the infrastructure in place to make a recovery.

East Moors was not alone. *Other closures followed* but by then alternative industries were opening. The Government launched, through the WDA, a big programme of factory building and, eventually, the private sector moved in, too. Manufacturing industry continued to decline – it now accounts for around 15 per cent of the working population – but the companies which moved into the WDA factories were new and energetic, like West 'n' Welsh, a home-products and double-glazing concern that is now expanding in England.

A city that had been built on servicing and shifting coal around the world and had developed a substantial steel and general engineering sector, began to experience growth along completely different lines. Amersham International brought high-technology know-how. Biotal, Target and others joined it. That economic growth, a reflection of what is happening throughout Wales, has been based on the development of service industries and the potential for urban development in addition to the switch into high-technology areas.

By the middle 1980s, a media industry had arisen. Cardiff now has the largest concentration of film and television production facilities outside London. Some 30 film concerns alone exist, some of them, like the producers of Superted, becoming interna*tionally famous. The city always* had its newspaper industry, supplemented eventually by television. It now has a plethora of media-support industries, among them public relations, printing, design and advertising.

A food industry emerged and then came what many see as the jewel in the crown and the sector that will put Cardiff on the international map, financial services. The accountants were the first to see the potential. Mr Charles Richardson, local director for 3i, Investors in Industry, says that "the accountants began to develop their services six or seven years ago and are now a major force. The lawyers were slower to realise the potential but they have grown substantially, too. It is now possible to get virtually all the services a business needs here.

### IN THIS SURVEY



☐ Above, Cardiff Castle and the lab at Biotal. Pictures by Tony Andrews

3i itself has been in the van of the expansion of the financial sector. "Business is booming in Cardiff and we are sharing in it," *he says.* "And there is *no sign of* it slowing down. We have taken on extra staff and are very optimistic about the future."

Last year, 3i invested in 23 new companies and in a further 13 existing concerns. Eight of those were in buy-outs, five in start-ups, four were private placings and 19 concerned expansion projects.

Cardiff is one of the most buoyant cities outside the South East of England where 3i is operating. And it is not just a matter of backing service concerns. Half the new investments were in manufacturing concerns and almost half the finance put into existing companies went to the manufacturing sector.

The growth of the sector, stimulated by the Bank of Wales (three-quarters owned by the Bank of Scotland for the past two years) transferring it treasury department into Cardiff from the City of London, is being further enhanced by an initiative called *South East Wales launched under* the leadership of the Welsb Development Agency.

The strategy behind the move is to build South East Wales, of which Cardiff is the focal centre, into a second Edinburgh and challenge the pre-eminence of its near neighbours Birmingham and Bristol. Two years ago the WDA put its muscle behind a similar initiative when it launched the Cardiff Consortium with a great fanfare to act as a one-stop shop for entrepreneurs needing equity finance.

That venture turned out to be over-ambitious. A large response was not matched by the quality essential to justify syndicated loans. The South East Wales venture is different, and stands a better chance of succeeding, according to Mr Stephen White, the WDA's investment director, because "there has been a big change in the way companies now operate. Many of them have been reappraising their needs and we believe this part of Wales offers them the conditions for their future expansion."

The emergence of what promises to be a strong and viable financial centre is taking place alongside the development of Cardiff's decaying docklands into one of the most exciting urban rejuvenation projects in Europe. Some 2,700 acres of what was once known around the world as Tiger Bay are being given an enormous face-lift as the area is being brought into the late 20th century to enable it to take advantage of the changing tastes that will characterise the 21st century.

Cardiff has been the recipient of several imaginative urban grants. One went to help build the Holiday Inn, another to assist in the rebuilding of the New Theatre into a centrepiece for the arts in the city and a home for the internationally-renowned Welsh National Opera Company.

Two years ago, the then Secretary of State for Wales, Mr Nicholas Edward (now Lord Crickhowell), set up the Cardiff Bay Development Corporation to complement this city-centre activity and specifically bring new life back to the dockland area. He took as his model the urban development corporations set up five years earlier for London and Merseyside. He provided a small amount of pump-priming public money – about £250m over a decade – and told the corporation to get on with the job.

The corporation is trying to refashion the southern part of the city, the docklands area, and make it a place worthy of the 21st century. The strategy drawn up by Mr Inkin envisages some 6,000 new houses being built over the next decade, a quarter of them for the public sector, the building of 5m-6m sq ft of industrial space, about half as much again of commercial premises and leisure facilities, and a tourist centre along the lines of those that have done so much to bring new life back to American cities Boston and Baltimore.

*A start has been made. Tarmac* is involved in a £50m project designed by Mr Tim Holder's practice. Staff will, by the middle of summer be moving into a new county hall for South Glamorgan County Council. Crest Nicholson has put up a marina. But by the time the strategy has been executed, some 30,000 jobs are expected to have been created and a barrage built to convert the estuary of the rivers Taff and Ely into an inland lake allowing the creation of a maritime city.

There are critics. Cardiff's silted estuary is home to wading birds and these would be displaced by the creation of the lake. There are fears of a yuppie explosion – people living in the area are apprehensive that they will be forced out. The whole development centres on the

continued on page 6

## Commercial and industrial property

# Rents move into double figures

BRADLEY'S COURT is the name given to a 38,000 sq ft block of offices that will occupy a prime site in the centre of Cardiff, near the New Theatre.

In other circumstances, Bradley's Court might be just another office development for a new client, in this case Morgan Bruce and Hardwicke, a leading firm of solicitors. But Bradley's Court has considerable significance even though the builders are only just moving onto the site and it will not be ready for occupation until the end of next year.

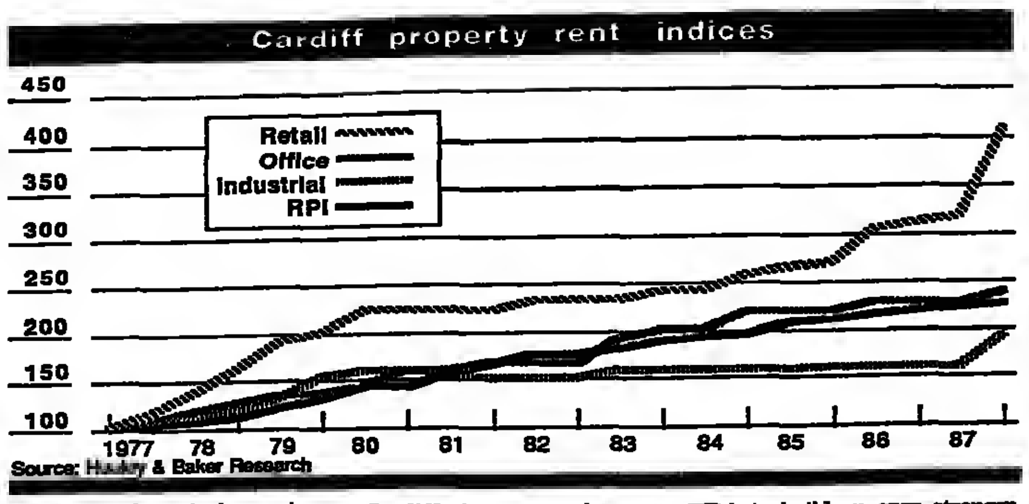
The block has been pre-let by Debenham Tewson at a rent of £10 a sq ft, the first time rents have moved into double figures in Cardiff.

"Demand for all sorts of properties, commercial as well as offices, has really taken off in the past two years," says the Welsh Development Agency's property services director, Mr Ian Rooks.

There has been a very substantial increase in inquiries for modern space. The initiative launched by the WDA and the local authorities to develop Cardiff as a major financial centre is undoubtedly contributing to this strong demand but pressure is being felt across the board.

Mr Paul Guy, managing director of the Bailey Group, which is building Bradley's Court, says that office rents are moving up by £1 a year and that two companies are already interested in another of the group's projects which, he believes, will let at £12 on completion.

Such a rate of increase may be a conservative estimate, Mr Rooks thinks, since they appear to be rising at an annual rate of about 25 per cent.




The same thing is happening on the industrial side. Mr Rhys James, director of Debenham Tewson, reports that "rents are leaping ahead." Over £5 a sq ft is now being obtained for small nursery units and over £4 should be received on new buildings of 5,000 sq ft. More important, perhaps, the private sector is becoming interested in entering the market for the first time for years.

In the office sector, it is not just the better sites in the centre that are attracting attention. On the outskirts of the city, Bailey is putting up three units of 20,000 sq ft, on a business park in conjunction with the WDA, for which it will be looking for a rent of between £7 and £8. And Mr James, points to others on the outer edge which should bring between £7.50 and £9 when completed.

Cardiff has now become, according to Mr Roger Thomas, a partner at estate agents, Cooke and Arkwright, a focus for the major property-owning institutions and investment companies. "They have been absent from the south Wales market, especially in industrial and office property investment, for some years but are now taking an active interest".

Gone are the days, he says, when good-quality industrial investments were being sold at double-figure yields and then to reluctant property buyers. Single-figure yields are now being talked of and this level, coupled with higher rents, will make industrial development viable again.

Part of the growth is coming from the development of Cardiff as a financial services centre, a growth that will be stimulated by the new initiative led by the WDA to build an even stronger financial base in the city.

Much of the heightened interest has come, of course, from the improvement in the economy nationally. Cardiff has benefitted from the upswing as much as any other city. This has helped bring in the institutional investor.

There is just as strong an interest in the retail sector. Cardiff has become, in the past decade, one of the leading shopping centres in Britain. Coach operators run trips into the city not just from elsewhere in south Wales, where it has always been seen as the major centre, but from Bristol, Bath, Cheltenham and further east.

Mr Arthur Gilbert, manager of Marks and Spencer, relates the story of how, returning from London on the train, he heard his neighbouring travellers, who had got in at Reading, talking about their shopping visit to Cardiff.

This interest has come from the way in which the shopping heart of the city has been rebuilt. Cardiff was late to redevelop its centre, compared with cities such as Newcastle, Manchester and Bath. But the very lateness has its own compensations: it has enabled Cardiff to incorporate the latest design features and present a more modern appearance.

There has been strong institutional interest in many of the developments. Abbey Life Assurance was involved in one project in which TSB, the bank, took a major slice; Dixons Commercial Properties undertook another, which includes Laura Ashley; and Guardian Royal Exchange is involved in a third, which is now in the process of being built.

The last major site in the centre is to be started by London and Edinburgh now the private investor is back. The market is, however, being held back by a shortage of land.

Mr James believes that land in the docks could have been sold 10 times over, but development there was held up while Cardiff Bay Development Corporation worked out its long-term strategy. Now this has been published, the way is clear for work to begin, which should ease the situation.

There are some warning signs in this picture of buoyancy. Cardiff has begun to suffer from a shortage of car-parking space, which could affect retail building. And there is a considerable amount of office space, built in the 1960s, which could take a long time to shift. About 125,000 sq ft is presently available in three buildings almost next door to each other, and when South Glamorgan County Council moves to its new headquarters in docklands in August a further 75,000 sq ft will be returned to the market.

This is not having any effect on the top end of the market, but it is depressing the bottom end. Despite this, though, everyone involved with the property market agrees on one thing: Cardiff is booming and looks like continuing to do so for some time to come.

**Cardiff has become, in the past decade, one of the leading shopping centres in Britain, attracting shoppers from as far as afield as Bristol, Bath and Cheltenham, and even further east. Demand for retail space will only be partially eased when construction of Guardian Royal Exchange's Capitol Exchange complex, pictured above, is completed.**



## Professional services

# A chick about to hatch

LAST MONTH, Arthur Young, one of the leading firms of accountants, announced it was to expand its Cardiff office by a third.

"The upturn in business meant we were able to bring forward expansion plans," says Mr Mark Molyneux, senior partner in the office.

Of itself the move, intended to strengthen the audit and insolvency departments, is not particularly significant since Arthur Young is one of the smaller of the big accountancy firms operating in the Welsh capital. What is significant is the reason.

"The buoyant Welsh economy means our business is expanding so quickly that we have been forced to launcb a recruitment drive," Mr Molyneux explains.

The move came as others are also building up their operations. The Bank of Wales is moving its treasurer's department from the City (of London) to Cardiff (where its head office is).

Not only the Welsh economy is booming according to Mr Gwyn Davies of Edward Lewis, a leading firm of solicitors. "Cardiff is, too. All the big solicitors are growing by about a third every year, especially the small band of those involved in commercial work. Cardiff is like a chick about to hatch. It is about to explode into life."

That optimism is not confined to the accountants and lawyers. Mr Tim Holder, chairman of architects, Holder Mathias Alcock, feels the same. His practice has just moved into Dynasty-style offices (designed by itself, naturally) overlooking Atlantic Wharf, one of Cardiff's old docks now being converted in a London-style development. He says Cardiff is "the most interesting city in Britain."

The architectural firms undertake work for clients in London and the South East of England. The accountants and the lawyers recruit staff from the Home Counties.

"Cardiff is no longer seen as a place where heavy industry belches out black smoke," says Mr. Charles Richardson, manager of 3i - Investors in Industry - and himself an incomer.

"Business is booming. We can do all the sort of work here that can be done in London. Last year we did 23 new investments and a further 13 in existing companies. Eight of those transactions were management buyouts."

It would be wrong to overstate the case. Corporate finance and management consultancy operations have been developed by the accountants. The lawyers have increasingly concentrated on commercial work. But this is not London and nor can it yet compare with the scale of work being done in some of the other major cities.

**'There is much more willingness among businessmen to recognise we can provide, here in the city, the service that they want'**

Arthur Young, for instance, will still have only 22 professional staff in its office even after the expansion. The big name accountants, however, became aware of the potential of the area long before the lawyers who have only really began to appreciate the potential in the last half a dozen years.

Mr Roger Thomas, a partner in Phillips and Buck, Cardiff's leading firm of solicitors, (with 190 staff they are the 16th largest in England and Wales outside London), says there has been a polarisation between those looking to the private client and tbose looking to the commercial sector.

For those engaged on the commercial side – essentially Edwards Geldard and Morgan Bruce and Hardwicke in addition to Phillips and Buck, witb Edward Lewis seeking to join the group – Cardiff has become a regional centre, the focus for work generated in South Wales.

"Cardiff now has a sufficient range of firms to deal with all legal business in South Wales," Mr Thomas claims. "There is mnch more willingness among businessmen to recognise and accept that we can provide here in tha city the service they want."

Mr Rod Thurman, head of the corporate department at Edwards Geldard, points out how his firm now has full-time specialists dealing with intellectual property, arbitration law, planning and employment law.

"Five years ago we could not have contemplated such specialism. The nature of our work now means not only that we can, but that we have to service our clients fully."

Such work is not just for clients in Cardiff, or even South Wales. Mr Edwards, his senior partner, says the practice has clients in every county in England "with the possible exception of Cumbria. Our largest client, a snbstantial PLC, has its headquarters some 200 miles away and has no operation of any significance in South Wales."

The accountants were undoubtedly the first to see the potential in South Wales, perhaps stimulated by the amount of work being generated by the Welsh Development Agency.

If the lawyers lagged behind the accountants in seeing the potential for growth locally, then the banks lagged behind them both. Barclays always had a strong regional headquarters in Cardiff but not all the clearers treated Wales in quite the same way. Even they are catching up now, though.

Regional offices have been given a greater degree of autonomy and bave responded by expanding their own services. The Midland has appointed a corporate manager for Wales, Nat-West has moved into a new building with better facilities and Lloyds has a City office.

There is also a small but flourishing broking sector with Lyddons, Heseltine and Moss, and Murray and Co. Mr John Downing, of Lyddons, believes the regional broker now offers a better service to the private investor than is available from a London firm since charges are lower and brokers are able to spend time advising the investor properly, something London appears to have lost the inclination to do.

There are a number of factors that could, however, inhibit the growth of Cardiff as a financial centre, the most important being the undeveloped nature of the capital market. There are virtually no merchant banking facilities and it remains a matter of some amazement that the Bank of England does not have a representative in the city. There are no issuing houses. There is a decided weakness on the international side.

Tbe Welsh Development Agency is attempting to iron-out some of these shortcomings through its South East Wales initiative and through the work of the Welsh Venture Capital Fund, in which it has a stake.

But there is a feeling that financial services are still a tender plant that needs a lot of encouragement. The greatest weakness, it is argued, is a physical one – a shortage of the sort of executive housing necessary to attract high-fliers away from the South East.

Job advertisemants bring a good response but Edward Lewis's Mr Davies says they might be put off through not being able to get the sort of housing to which they have become accustomed in the South East.

Given these reservations there is, nevertheless, an overriding atmosphere of confidence among the professions now apparent in Cardiff. There is a feeling not only that almost anything can be achieved within the Welsh capital but also that it is capable of challenging much that is being undertaken in the London area. Organisations like Chemical Bank, the Automobile Association and others have found the air very much to their liking. Success breeds success.

"Cardiff is one of the fastest growing cities in Europe," says Mr Davies. "People are now really making money here and the facilities exist to service them properly."

Cardiff Bay Development Corporation's docklands regeneration strategy is designed to create...

# A maritime city for the 21st century

ON JULY 13, 1907, Queen Alexandra opened, in the presence of Edward VII, the dock in the heart of Cardiff that to this day bears her name. It was not merely a great festive occasion, but a recognition of the enormous economic strength which Cardiff and its docks enjoyed at the beginning of the century.

Today, those docks present, as they have for the past 20 years or more, a sorry sight. Quays and wharves are empty, the water undisturbed except for the flotsam. Whereas Cardiff was once the greatest coal-exporting port in the world, its sole connection with the mineral now lies in the occasional shipload from Poland or some other far-flung country.

All that is about to change, though, and the glory that was Cardiff is about to be resurrected. "We are about to turn Cardiff's docklands into a 21st century maritime city," says Mr Geoffrey Inkin. And Mr Barry Lane declares that "we have a vision of the future that we want to create in the docklands. It is an exciting one that will enhance the rest of Cardiff.

Mr Inkin is chairman of the Cardiff Bay Development Corporation, the government-funded body set up the government late in 1986 to rejuvenate some 2,700 acres of the city's docklands. Mr Lane is his chief executive, masterminding the implementation of the plans that will bring new life to an area that, once known around the world as Tiger Bay, has for years, needed both confidence and money.

Cardiff's docklands have, since the arrival of the railways in the middle of the last century, always been cut off from the rest of the city by the line which runs east-west. At one time, when there was great activity in the docks, this did not matter too much but with the decay of the coal trade the docks found itself very much on the wrong side of the tracks, populated by a low-income community largely occupying public housing and having to make do with decidedly inferior facilities.

The local community is apprehensive that the rebuilding of the area will produce, as it is already doing in London, an influx of high-income earners who will force the locals away from their homes.

Mr Lane is at pains to reassure them, saying that no existing houses will be knocked down, other than for essential construction work, and that of the 6,000 new houses envisaged in the area in the next 10 years at least a quarter will be for rent in the public sector.

"The needs of the present community will be fully taken into account," he says. "We are working with the community's representatives to ensure this."

There will, though, be enormous changes. It is envisaged that over the next decade some £1.5bn will be spent creating the new maritime city. Some £200m to £250m of that will come from the government and another £100m in enhanced land values. There will also be some running public expenditure from the local authorities. Given even a relatively modest multiplier effect of 4:1 from the private sector, capital spending of around £1.5bn at 1987 prices should be achieved.

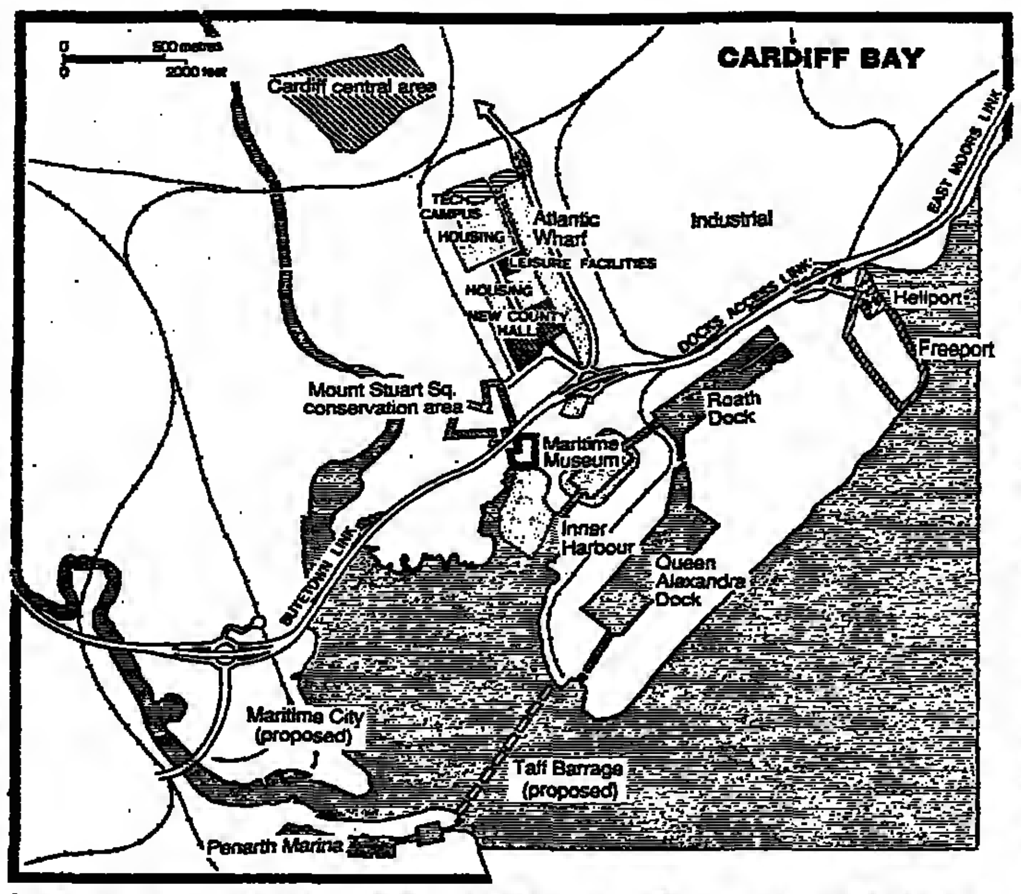
The corporation's strategy envisages some 30,000 jobs being created in addition to the new houses and flats. A barrage, costing £50m will encompass 500 acres of water and create one of the largest inland lakes in Britain, with 8 miles of waterside frontage. A maritime "city" will be created as well as shopping malls, leisure interests, marinas and some 5m sq ft of commercial and industrial building space.

Investor interest is already keen since because, as Mr Inkin says, "what we are doing is not just undertaking another piece of urban renewal but building something for the 21st century."

Three parties of Japanese have already visited the site. Others have come from Norway, West Germany and other European countries as well as countless numbers from the City of London. The morning train from London would not now be complete without its complement of bankers, corporate financiers and investment advisers.

These people have to take a long view. Site work is more important at the moment than actual building. Bnt they can already see a new county hall for South Glamorgan; the start of work on a £50m scheme by Tarmac, including some starter housing; a visionary office conversion by the architects, Holder Mathias Alcock, for themselves along Atlantic Wharf (once more prosaically known as the Bute East Dock); some roadworks; and the conversion of the only two remaining original buildings, one into a small hotel and the other a 1893grain warehouse converted into flats by Lovell, the building group, at a cost of £2.5m.

There is the promise not just of the inland lake, capable of accommodating Olympic-style rowing events, but also of a major building dominating the skyline, as the opera house does in Sydney, a symbol instantly recognisable around the world. It could be a centre for the performing arts, which Mr Lane says has been allowed for in the plans.




All this hinges on construction of the barrage, essential if the lake is to be created. A bill to enable the barrage to go ahead will be preseoted to parliament this autumn. Its success is not a foregone conclusion since a variety of oppoocots to the whole redevelopment are concentrating their firepower on the bill, which they see as the corporation's weak point.

Mr Lane admits that without the barrage the whole development of docklands would be difficult. "If the bill fails it would be a setback. Much of what we are doing is postulated on a maritime environment. A barrage is essential because it enables us to create an eovironment totally different from that in any other city where there are development opportunities around water.

"If there were no barrage, it would not just be a setback to us in docklands but to the city of Cardiff as a whole, because the regeneration of docklands is only part, even if an important part, of the steps being taken to create a truly capital city.

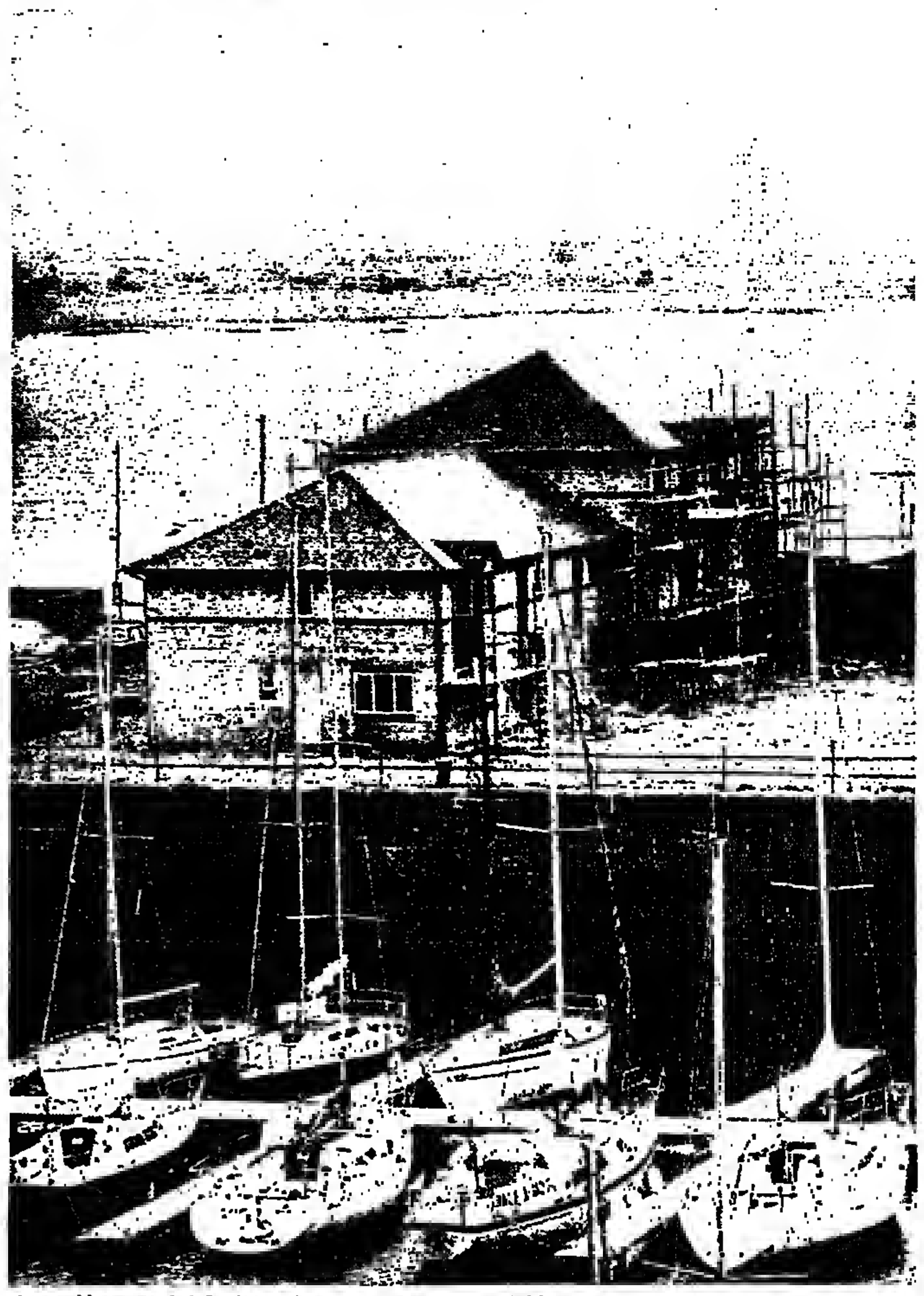
"To achieve regeneration you must develop, but development is only a means to an end and the end is to restore the economic health of docklands so that the people who live here, and those who want to live here, have a full life."

Others take a stronger view. They claim the whole redevelopment of tha docklands could fail to materialise without it. The immediate opponents to the barrage are the environmentalists who say that flooding the bay will wipe out an important feeding ground for certain types of birds.

Since the area has long been a Site of Special Scientific Interest (SSSI), it is clearly environmentally important and should not lightly be erased.

The threat posed by the environmentalists has not prevented many developers beginning work within the area. About £150m of work is already being undertaken or is committed by the private sector. Infrastructure and other public works, such as county hall, take the figure over £200m.

When the corporation unveiled its strategy plan it did so in the cavernous Coal Exchange building, which it has just bought. A century ago this was the place where the price of coal around the world was settled. In the next few months work will begin on putting it back into some sort of shape, able to face the next century. It is the sort of thing that will soon be happening, Mr Inkin is confident, throughout Tiger Bay.



A first fruit of the regeneration strategy: the new marina at Penarth

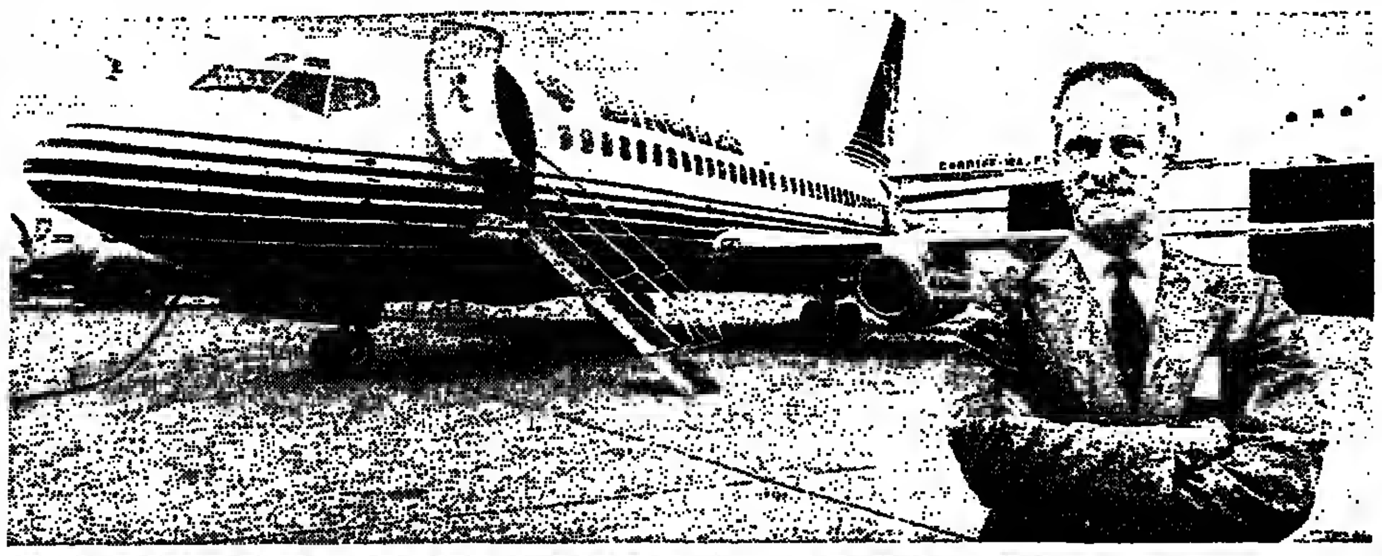
Cardiff-Wales airport

# Transatlantic trade reaches take off

TOMORROW MORNING, just after midday, Mr Ian Cran will stand at the window of his office overlooking the main runway of the Cardiff-Wales airport and watch flight WD 169 take off for Toronto.

Flight WD 169, a Boeing 747 jumbo, is the weekly scheduled flight operated by Wardair, a Canadian airline. Since the middle of last month, Wardair has been operating this service, the first transatlantic scheduled flight out of Cardiff.

Mr Cran, director of Cardiff-Wales airport, will watch tomorrow's flight, as he has each of the previous Friday takeoffs, with particular interest because he hopes the service, which lasts until the end of October, will be an incentive to other airlines to use Cardiff airport as a gateway into Britain.



Mr Ian Cran, director of Cardiff-Wales airport: hoping airlines will use Cardiff as a gateway to Britain

Transatlantic flights out of Cardiff are nothing new in themselves. Another Canadian line, Worldways, has operated a Tristar on charter services to Toronto for several years past. There have also been one-off flights ever since the runway was lengthened to take the jumbos.

But Mr Cran sees the scheduled flight as the opportunity to press Cardiff's case to be considered as a gateway. "Heathrow, and Gatwick are at saturation point," he says. "The operators are being told to find other airports. Why should one of those not be Cardiff? We are capable of handling all the modern aircraft since the runway was extended to 2,353 metres in 1986. We really would like a slice of the transatlantic trade."

Cardiff can certainly claim to be an international airport, thought it is a fairly tenuous claim. Netherlines, part of KLM, has a three-times-a-day scheduled service to Amsterdam and Ryanair began a link just before Christmas last year between Cardiff and Dublin five days a week.

Next year, Air France is expected to begin a Paris service and Mr Cran remains puzzled why no operator has yet come forward with one to Brussels given that Cardiff is a major centre of government and Welsh business is increasingly anxious to travel to the administrative centre of the EEC. The quiet of Mr Cran's office is interrupted, too, every so often as internal UK scheduled flights take off and land. Capital flies to Leeds, Glasgow and Jersey. Danair has a HS 748 to Jersey and flies daily to Belfast while Air UK goes to Guernsey.

What Mr Cran would particularly like is a feeder into Gatwick. "We are talking about this," he says, "and also about Manchester-Aberdeen because the demand is there."

But a cloud in the shape of the newly-emerging Cardiff Bay development scheme hangs over this view of the future. It has been suggested that the massive regeneration scheme being undertaken in Cardiff's docklands should incorporate a STOL (short take-off and landing) airport to link directly with the City airport in London's docklands.

Since it opened last year the City airport has operated services to Paris, Brussels and the UK's West country. Any STOLport in Cardiff Bay would deal a serious blow to Cardiff-Wales airport's hopes of securing a Gatwick feeder service and other scheduled short-haul links.

An airport in Cardiff's docklands would be, literally, within walking distance of the shopping and commercial areas, whereas Cardiff-Wales airport is 14 miles to the west. So the new airport could undermine the growing financial success of the existing facility.

However, Mr Cran says that the intention is to market Cardiff-Wales as the national airport of Wales. "We intend to provide a level of service that you would expect in any capital around the world."

Whatever happens in the Cardiff docklands, expansion at Cardiff-Wales has been made easier by decisions taken nearly two decades ago. The airport was then owned by Glamorgan County Council which took the far-sighted and imaginative decision in 1972 to invest heavily in facilities.

The airport was designed to cater for upto 1.25m passengers, and so provide ample capacity for future growth. Hence, Cardiff Wales had no difficulty in coping with last year's record movement of 690,000 passengers (of whom some 85 per cent were on charter flights).

With developments now in the pipeline, Mr Cran hopes to have 1m passengers passing through the doors by the early 1990s. A capital-spending programme totalling £4.5m has just been started. New holding lounges costing £300,000 were opened in time for Easter and by the end of this year passengers will be able to walk directly from the terminal along piers onto the aircraft.

Other improvements include extra car-parking spaces, new check-in facilities and a redesign of the concessionary area.

All this is being funded from internal resources since Cardiff – now a private company owned by the three councils that are successors to the extinguished Glamorgan – has made a profit for three out of the last four years. This year, it should make about £1m pre-tax.

"Other airports may have to fund their capital programmes by calling on their shareholders," Mr Cran says, "but we do not. So we are outside government constraints on capital spending."

The profitability and the growth, which have gone hand in hand, have led to increased investor interest. One group is considering a major hotel development and National Car Parks is looking at the possibility of a multi-storey car park. "The hotel development is particularly important," Mr Cran says, "because the nearest three- or four-star hotel is in Cardiff itself. Yet there is strong demand for accommodation at the airport, especially from those with early-morning flights to catch."

It is also possible that the old British Airways engineering facility, which has lain dormant since 1982, may be brought back into operation; a private developer is exploring its possibilities as a gas-turbine maintenance and avionics skills centre, as well as an engineering facility. Meanwhile, the Norman Aeroplane Company, which already employs over 100 people manufacturing small aircraft for export, mainly to Third World countries, is planning to build microlights in another former BA building now being modified.

Last year, passenger traffic rose by 21 per cent. That is unlikely to be repeated this year since the holiday trade is much less buoyant. A much more modest rise, probably not much more than one to 2 per cent, is probable, Mr Cran believes.

Nevertheless, he remains optimistic that with increased congestion at Heathrow and Gatwick Cardiff could become an important gateway into the UK. That is why he attaches so much importance to flight WD 169 as it takes off each Friday into the lunch-time sun.









BSC(Industry)

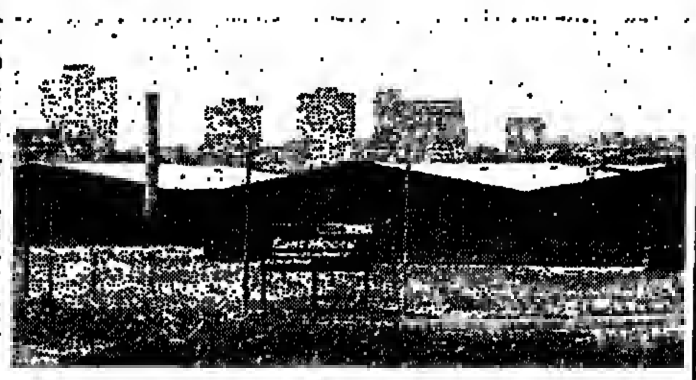
# Indigenous focus

EIGHTEEN MONTHS ago Scandinavian Sound moved into a factory on what had once been the site of the East Moors steelworks. Today it supplies complete hi-fi cabinet systems to UK concerns such as Sharp, Hitachi and Tatung and exports 40 per cent of its output.

The company had considerable help from BSC Industry in its move. "We came to Wales," says Mr Roger Pearl, its managing director, "because of the good grants available and because we knew there was a good supply of skilled labour."

The company was set up by a Dane, Mr Peter Hasselris, who had a similar plant in Europe but wanted to be nearer the clients. Ha and Mr Pearl agree that BSC(I) had been "most helpful".

Another concern which acknowledges its debt to BSC(I) is West 'n' Welsh, the growing double-glazing and home-products group. It has a factory near Scandinavian Sound and Mr Philip Morgan, a director, says that BSC(I) has been most supportive. It has put money into the company on three occasions, first when it was a start-up, later for operation capital and on the last occasion to help it with an acquisition.



East Moors' new face: WDA factories in place of steelworks

This was a classical case of growing with the company, Mr Morgan comments. "The arrival of Scandinavian Sound, which is to launch the hi-fi units on the market under its own name in the autumn, and West 'n' Welsh illustrates the changed nature of BSC(I).

The organisation was set up 13 years ago by British Steel as a job creation agency to offset closures within the industry. In Cardiff, its task was to respond to the closure in the late 1970s of the British Steel Corporation's East Moors steelworks with the loss of some 5,000 jobs.

The Welsh Development Agency stepped in with a big advance factory building programme on the site and BSC(I) provided a workshops complex, available on easy in- easy out terms, and financial assistance. A lot of businesses, mainly start-ups, took them over.

This was most encouraging because there was a need for a cultural change in Cardiff. People in the city have traditionally looked to one or two large employers for work. "We had to try and help an enterprise culture emerge," Mr Brian Margrett, executive director of BSC(I), explains. "The focus now is on helping the indigenous business to grow successfully. The requirements of a strongly-growing business are quite different to a start-up and so we are now providing funds through secured loans or equity if appropriate. We also help with management training or development schemes."

## Holding hands

CARDIFF has a number of local agencies to assist those wanting to establish in, or just have information about the city.

CAVE, the Cardiff and Vale Enterprise Agency (Tel: 0222 494411) has been set up by two councils, Cardiff and the Vale of Glamorgan, to offer a complete business advice, information and counselling service.

South Glamorgan County Council (0222 499022) has an economic development unit.

Winvest, the WDA's inward investment arm (0222 222666) provides complete business advice.

BSC (Industry) is also available to help (0633 244001) as is British Coal Enterprise (0222 753232).

Cardiff is in an intermediate area for government regional assistance and enterprises can be eligible for selective financial assistance as well as qualifying for soft loans from the EEC. The Welsh Office Industry Department (0222 825111) can advise.

The British Overseas Trade Board is available on the same number (0222 825111).

The Cardiff Chamber of Commerce (0222 481648) is one of the largest chambers outside London and has close links with the city council.

Companies House, officially the Companies Registration Office, (0222 388588) has its headquarters in the city.

The Cardiff Marketing Bureau (0222 395173) offers advice on a range of hotel and conference facilities.

University-industry links

# A model approach to cooperation

A YEAR ago, when Hoover, the multinational domestic-appliance manufacturer, was about to move its both its head-office and research and developments operations to Merthyr Tydfil, Dr Tony Bates realised the company might have some difficulties at first in maintaining its research facilities in Wales. Not all the staff wanted to move from west London and Merthyr did not have a pool of the highly-qualified technical staff Hoover wanted.

Dr Bates, now director of CUIC, the Cardiff University Industry Centre, had a solution. The Centre had the sort of facilities the company might want. Why didn't Hoover and CUIC get together to see if the one could help the other?

As a result of his approach, the two have entered into a contract under which they meet six times a year to involve CUIC in the company's research and development programme in Wales.

"The project has worked extremely well," Dr Bates says. "It is also a good example of the way in which the university and industry as a whole are now working together."

Cardiff has a very good reputation within the university world for industry-academic links. It was cited meritoriously in a report commissioned by the Committee of Vice Chancellors and Principals and has modelled itself consciously on the way in which the Massachussetts Institute of Technology operates in the US.

The association with industry is likely to increase as a result of the merger this summer of the city's two leading academic institutions, University College and the University of Wales Institute of Science and Technology, into one combined University of Wales College of Cardiff.

The merger – perhaps better described as a shotgun marriage in which both the University Grants Committee and the Government have had a finger on the trigger – has occurred in the wake of financial difficulties at University College which flowed from the government's spending curbs.

For almost two years a question mark hovered over the very existence of University College. With those doubts now resolved the merged colleges have been planning forward as one academic institution with an 8,000-strong student body.

Resolving the future has been as important for the University Industry Centre as for any other part of the institution. CUIC was set up by University College in 1974, about a decade before the UWIST formed an industrial liaison office.

The two academic institutions adopted different approaches to the question of industry-academic links. At University College, there was a more hands-on approach, with CUIC concerned to take products and processes from within and make them commercial. At UWIST, initiatives were left much more to the individual.

Other differences were apparent. CUIC had been funded with government help through the Urban Aid programme, as part of the process of encouraging new technology into Wales, partly to create jobs but more importantly to create an ambiance of new, modern industry in a country famous for its basic, high-stack, production facilities.

With the merger there will now be one industry centre, pooling the better resources from the two former institutions. It will in future act, with Dr Bates as director, as a focus for the university in its dealings with industry; provide contractual assistance to academic staff in negotiations with outside bodies over matters such as international property rights, publishing rights or costings; assist in the identification of potential exploitation opportunities; and ensure that staff are aware of sources of external funding, especially from the EEC.

The degree of commercialisation of its research activities, and the way it is achieved, has still to be resolved. One way, preferred by many but not all within the college, is for the centre to seek external funding, in the way that Imperial College does in London.

At Imperial, the college has contributed 51 per cent of capital requirements and raised the other 49 per cent from 3i – Investors in Industry, the venture capital fund – and Research Corporation, an offshoot of an American charity set up to commercialise university research.

### Cardiff's model is Massachussetts

The Cardiff centre may be the main focus of the industry-academic interface but it is by no means the only one. There is substantial collaboration in a number of individual departments. Mechanical and manufactnring systems engineering houses the automation and robotics centre which provides advice and support for industry throughout Wales.

The Cardiff Business School, the School of Architecture and the Department of Maritime Studies are active in their own fields. The last of these, under John King, for instance, produced the Times Atlas of the Oceans and Lloyds Maritime Atlas.

Another interface with industry is provided by the Semiconductor and Microelectronics Centre under Professors Vernon Morgan and Robin Williams. These two are undertaking work on new materials that each had been studying separately – Morgan at Leeds, Williams at Coleraine – but co-operatively before they both reached Cardiff. "We are concerned with a new group of materials called gallium arsenide," Professor Morgan explains. "These materials are the base of optical electronics and are fundamental to communications systems. Their importance is that they can work at a higher frequence than silicon -based chips and so allow the opportunity to exploit higher freqnencies in micro engineering and also in the vitally important field of optical electronics.

"Gallium arsenide is the material of the future. But can we produce digital circulations at the right price? How much is industry prepared to pay for speed? Defence industries may pay the price but will commercial companies? Those questions are being addressed by us," Professor Morgan says.

The centre's clean room is adapted from existing rooms within the UWIST building, "expensive equipment operating in an expensive set-up within what is almost make-shift accommodation" Professor Morgan notes. However, this research project has already attracted over £3m from almost every major, and many minor, electronics companies in the UK. Among the big names have been GEC, Plessey, British Telecom, British Gas, STL Harlow and Phillips while Medl, a Lincoln-based concern, and Plasma Technology, of Avon, feature among the smaller ones.

Professor Morgan, like Dr Bates and others, pays tribute to the work of Dr Ron Loveland, director of Wintech, the technical arm of the Welsh Development Agency. "Without his help, we really should not have been able to get ahead as far as we have."

Cardiff would like to think that its work with industry is in the big league. Certainly the report by the University Vice- Chancellors, published only a year ago, said so. Dr Bates is determined to use that position of strength as a base for further expansion.

June 9 1988



# Capital faces

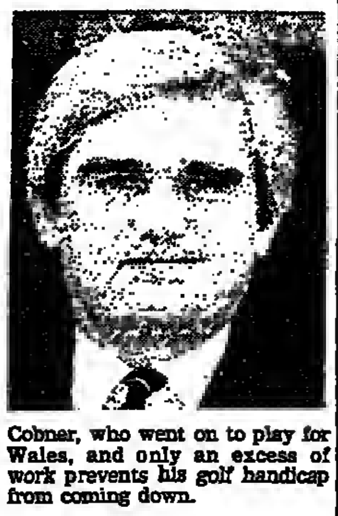
## Geoffrey Inkin

IF THERE is one special quality Geoffrey Inkin brings to the task of overseeing the regeneration of Cardiff's seedy docklands it is enthusiasm.

Visitors are taken on "a five-guinea tour" with great gusto, spirited from place to place as the chairman of Cardiff Bay Development Corporation enthuses over the potential and the future. It is an enthusiasm he once put into fighting Michael Foot at a general election in Ebbw Vale and, later, into running Cwmbran New Town Corporation. Inkin spent the first part of his life in the army, a time he now tends to play down, rising to command tha 1st Battalion Royal Welch Fusiliers. Today, he prefers to be described as a businessman: he is also chairman of the Land Authority for Wales.

There is no mistaking him in a crowd as he towers over most of the rest of mankind and even if he could not be seen his booming voice reaches parts other men's don't. It is a voice that only appears to recede into soto voce when he is seated, probably uncomfortably given his size, at the opera.

## Keith James



WHEN Keith James, senior partner at solicitors, Phillips and Buck,left Cambridge in the 1960s, he took a conscious decision to return to Cardiff and practise law rather than follow the route to Londoo adopted by most of his contemporaries.

Now senior partner of a firm that has a leading place as an out-of-London practice be is a central figure on many bodies in the Welsh capital - Freedom from Hunger Campaign, the Welsh Centre for International Affairs, the University of Wales Institute of Science and Technology and the Cardiff Business School.

More recently, has been credited with the idea behind the establishment of the Institute of Welsh Affairs, a sort of think-tank for Wales. At school he was edged out of the team by Terry Cobner, who went on to play for Wales, and only an excess of work prevents his golf handicap from coming down.

## Eric Crawford

ERIC CRAWFORD is a recent arrival in Cardiff, having spent the whole of his life hitherto touring around Britain in the service of the Midland Bank.

Crawford brings a knowledge of banking at the very top to his post of chief executive of the Bank of Wales, an organisation that has, up to now, not been over-blessed with it. He ended his time in Poultry as general manager in charge of strategic planning.

He brings to Wales, a country that prides itself on its music, an fine appreciation of the art, though it may not be to everyone's liking since he has little time for 18th-century composers preferring Shostakovitch, Richard Strauss and Tippett.

Opera, the in-thing with the Cardiff cognoscenti, is out with him. A musical family – one son is reading music at Exeter University – gives ample opportunity for deep discussion over the breakfast table.

## David Waterstone

THE SECOND Scot to monopolise the chief executive's seat at the Welsh Development Agency, David Waterstone has done much to turn the agency from a paternalistic body into a hard-edged organisation, aiming not so much as to create jobs in Wales as encouraging the sort of companies that will succeed.

After Cambridge he joined the Foreign Office and had a spell in Japan where he picked np a knowledge of the language that is more comprehensive than his understanding of Welsh.

Twelve years at British Steel, where he became the youngest main board director, preceded his arrival in Cardiff in 1983.

His principal interest tends towards the financial role of the agency, in particular the development of Cardiff as a financial centre.

He is a director of Portsmouth and Sunderland Newspapers and a brother of the Waterstone of the rapidly-growing bookshop chain. A short, private, man, his office contains one artefact offering a clue to an interest away from the tower-block office he occupies – an old plane, handy for smoothing problems as well as wood.

## Brian Brownhill

Brian Brownhill is a large man; extra large, he admits. Nouvelle cuisine is not for him he frankly concedes when out in a restaurant. He has a large frame and he needs substantial food to fill it.

Brownhill, chairman of the Wyndham Group, is also a large man on the business scene. His Wyndham Group is one of the fast-rising companies in the city. It began life in the late 1920s in engineering, converting ships from coal-firing to oil, but engineering is now less than a tenth of the business, having been overtaken by property, motor distribution and, above all, financial services, which has become the fastest-growing side of the business since he became chairman six years ago.

Brownhill followed his father into the family motor business and a love of old cars led to a small collection of 1930s Jags, Rolls and Lagondas. But that, too, has gone, as has an interest in dealing in antiques, undertaken with his wife, as the demands of running a pnblic company have eaten into what spare time he has. Today he consoles himself with the company BMW, knowing that his personal taste will also help the company since Wyndham owns the dealership.

## Tim Holder

FROM HIS office Tim Holder, chairman of Holder, Mathias Alcock, looks down the expanse of Atlantic Wharf, the upmarket name for what was once the unprosaic Bute East Dock.

Holder's office, as befits a modern architectural practice, could be out of Dallas or Dynasty but it took some courage to move into the wastelands of docklands in advance of the planners who are going to turn this part of Cardiff into downtown Baltimore or Boston.

Holder Mathias Alcock was formed after Holder and colleague Peter Mathias (Brian Alcock arrived later) left college in Cardiff, and has now expanded into London. He believes there's a lot of talent outside London but it's still necessary to be there if you want the big international work.

One day that could change as he thinks Cardiff potentially the most exciting city in the UK. His is now the largest practice in Cardiff, ranked 21st out of 5,000 in the UK. Naturally, he designed his own house, all mod as well as mod con, dabbles in ski-ing and golf, always aiming to be top dog, even on the fairways.

## Richard Lloyd Jones

FEW PEOPLE could have a more Welsh name, yet Richard Lloyd Jones's Welshness is of a remove. He was brought up in Nottingham, of Welsh parents, and after grammar school in the city went on to the mandarins' seed bed at Balliol before entering the civil service.

Now Permanent Secretary at the Welsh Office, he spent the early part of his career in London, mostly in the Ministry of Defence, but with a spell as a private secretary to the Cabinet Secretary, the usual testing ground for high fliers. This ended when he came to the Welsh Office in 1978 as No 2.

He moved into the top job in 1985 and is one of only two permanent secretaries still to be knighted. He is far removed from the TV conception of a civil servant conveyed by Yes Minister but sufficiently idiosyncratic to send cryptic memos around the office described as being "out of Le Carre".

He likes good food but eats in the staff canteen as often as at Cardiff's high tables. A voracious reader and, when time allows, a hearty walker, he insists that his club membership (United University) is to get a good bed on his weekly visit to London rather than indulge in the Whitehall conspiring supposedly beloved of senior civil servants.

## Geoff Rich

EDITORS come and go: the mortality rate is high. But Geoff Rich, editor of the South Wales Echo, Cardiff's evening newspaper, has lasted 20 years, which must be some sort of record.

His strong support of all things in the city led one businessman to say he had done more for Cardiff than any other single person. Joined newspapers from school and is acknowledged a first-class production man having guided his evening paper through the difficult transition from hot metal to computerised production.

Sees himself as the voice of the man-in-the-street and has a hearty disdain for intellectuals and those Welsh speakers who attempt to force others to be even more Welsh. An increasingly Pickwickian appearance has led to TV appearances in a quiz game but he can still drive the ship hard as many dented egos would confirm.

A keen gardener he once tried his hand at fishing but has a low threshold of boredom when little hot news is filling the hours. Fighting hard just now to ensure 1994 Commonwealth Games comes to Cardiff. But will back any important project that enhances the city.

Profile: Aeroquip

# Seal (and gaskets) of success

THERE IS no car made in Britain today that does not have at least one seal made by Aeroquip, according to Mr Brian Jones, marketing director of the company's seals division. Most of them have a lot more, perhaps as many as a dozen. And all those Aeroquip seals are made in Cardiff.

Many European cars also use its products. The plant has this year won three contracts, worth around £2m, from some of Europe's leading motor manufacturers. It has secured the bulk of the seal and gasket business on the new K series engine being produced by Austin Rover for the R8 model to be introduced next year, as well as all the seals for a gear box.

This January it began supplying a new gasket to Ford for its Transit van and, in a breakthrough, is to supply half the valve stem seals to Opel in Germany.

This division of an American-owned company has reached pre-eminence in its own industry through a determination to invest in new plant and machinery in order to stay ahead of the game. In the past five years it has spent £9m and its strategy is to spend at least £0.5m each year for the next 5 years and possibly, depending on conditions, as much as £1m.

Such spending is, inevitably, capital – rather than labour – geared. Nevertheless, it is expanding its workforce, too, and by the time the latest tranche of spending is completed it will have taken its workforce up to 350 and in a position to fight more effectively the competition that comes from concerns such as George Angus (a Dunlop subsidiary) in this country and Freudenberg in West Germany.

Mr Jones says: "we have recognised that if we are to be successful into the 1990s, and on into the 21st century, then we have to spend to make sure we are producing a product of the very highest quality.

"Every manufacturing work centre here will have been completely refurbished or have new machinery by the end of this year. It is the only way to produce a consistently high-quality product."

Aeroquip is, in fact, two "companies" on a joint site. The two main product lines, hose and seals, are made by different divisions, each under its own managing director. But while the head of seals is based in Cardiff his counterpart in hose operates from Redditch in the West Midlands.

The British Aeroquip company is a wholly-owned division of Aeroquip Corporation of Jackson, Michigan, and Old Glory flies naturally and unself-consciously outside the front door alongside the native flags of the UK and Wales.

Aeroquip itself is a wholly-owned subsidiary of another American concern, Trinova. The parent, until the middle of 1986, was known as Libbey-Owens-Ford. When Libbey sold its glass business two years ago to Pilkington Brothers it also sold its name and the remaining part of the business became Aeroquip.

The seals and allied gaskets business in the British business came in almost by the back door. Aeroquip, or to be more precise, its predecessor, bought a Cardiff company, Super Oil Seals, in the early 1960s for its hose technology and found itself with one of the most important seals concerns in Britain.

Now hose and seals at Cardiff produces about half Aeroquip's £20m-a-year turnover in the UK. Upgrading the hose side of the business was completed in 1985, rather earlier than that for seals, and Cardiff is now considered, according to Mr. Jones, "to be the most efficient plant of its type in Europe.

Both plants oeed to be super-efficient because the sharp deterioration in the price of the dollar has led to a noticeable increase in US imports into Britain. "The high pound has made life difficult for us," Mr. Jones says.

"We virtually had one American contract worth £2m a year sewn up when the exchange rate was $1.10 to the pound. Then the pound started rising and we simply were unable to finalise the deal. We can live with a dollar at 1.60 but above that not only do we have difficulty in selling to the Americans but they find it more attractive to sell to us."

Exports to the US are a minor side of the business, though. The seals division sells about a quarter of its output abroad, a large proportion of it into Europe where it has contracts with, among others, Renault, Volkswagen and Daimler Benz. Aeroquip can live with an exchange rate of over DM3 to the pound because the rise in sterling against the mark has not been so steep as against the dollar.

Eveo so, the company has to keep investing to stay among the leaders. But that, as Mr. Jones says, is the only way to stay in business these days.

Broadcasting

# A coming together in 'Media City'

CARDIFF LAYS claim to being the media capital of Britain. Of course, it does not compare in size or scope with London but, according to Mr Paddy Kitson, chairman of South Glamorgan County Council, "Cardiff could become as synonymous with broadcasting, animation and production as Edinburgh is with theatre and Cannes with film." If it does, few will have contributed more than Mr. Kitson himself.

As chairman of the council's economic development committee. he was instrumental in encouraging the media industry to come together and in beginning to promote Cardiff as "Media City."

Cardiff has had newspapers for longer than anyone can remember and, if the number publishing is now fewer than in the far past, the city still boasts a daily morning and evening paper as well as the freesheets. It was also one of the early centres of broadcasting.

But the real growth of the service sector has come with the expansion of television and in particular S4C, the separate Welsh anthority which runs Channel 4 in Wales.

This triggered a big expansion in demand for programmes, particularly in Welsb. BBC Wales and HTV, the Welsh commercial TV contractor, needed to increase their production facilities - they also were required to supply programmes to S4C.. But independent producers, many of them having worked with one or other organisation, were also encouraged to set up in the city.

"Half a dozen years ago there were just three independent production companies in Cardiff. Today there are 30," according to Mr Dave Chapman, managing director of Media City, tbe organisation set up by South Glamorgan to promote the sector. And with independent producers promised a greater share of broadcasting time under recent government proposals it is highly likely that the sector will, therefore, continue to grow.

Elsewhere in Wales, principally in and around Caernarfon, there are another 30. In addition, there are some 50 design, printing, marketing and advertising companies, most of which have grown to service the producers.

The expansion of this industry illustrates the way in which Cardiff is changing, shedding its old image as it does so. Gone are the days when the city looked to the docks and concerned itself with exporting coal. Today it has become tbe bome of new, up-to-date, sectors.

Mr Kitson believes there are now 5,000 people engaged in media-related activities in Cardiff and the figure is growing, almost weekly. Yet the coal industry, which so many outsider still see es the prime industry in Cardiff (even though there is not a pit within 20 miles of the place), employs only 7,500 miners now in the whole of South Wales.

Last month the county council backed a festival - exhibition, film shows, discussion groups - called Media 88 to promote not only the industry but also the concept of Cardiff as the UK centre of the industry. In its first year it may seem fanciful for the festival to be compared with Edinburgh or Cannes but even they begun humbly once.



Sporting events

# A determined bid to win the Commonwealth Games

JUST AFTER lunch on the afternoon of Thursday, September 15 next, 63 men and women, one representing each country that is a member of the Commonwealth Games Federation, will take their seats in a room in the Hilton Hotel in downtown Seoul and choose the city which will host the 1994 Commonwealth Games.

Seoul is eight hours ahead of British Summer Time so that by the time the delegates bave reached their decision it will be just after breakfast in Wales. Cardiff will then know whether it has beaten rival bids from Victoria, capital of the Canadian province of British Columbia, and from New Delhi, the Indian capital, and brought back the games to Cardiff after an interval of 36 years.

The decision will be made in Seoul becanse the representatives of the Commonwealth Games Federation will have gathered there for the opening of the Olympic Games. They will listen first to Victoria's presentation, then that of New Delhi. Cardiff's will be last since the cases are heard in alpbabetical nation order – Canada, India, Wales.

Each country has 15 minutes for a video presentation of its case and as long again to answer questions. By teatime, it should be all over.

However, this is the first time for as long as most people can remember that there have been more than two applicants. For the 1986 Games, Edinburgh was the only applicant. Brisbane, Auckland and othars were all straight fights. The first decision will therefore have to be on the means of voting.

If Cardiff is to win, it will, in theory, need 32 votes. But Fiji is not now a member of the Commonwealth though it might have reapplied for admission by September. And on past experience, upto half e dozen of the Federation's eligible members do not turn up, so that the winning city could be chosen by about 29 votes.

Given tbe financial fiasco at Edioburgh, political boycotts which have devalued any number of international meetings, uot least the Moscow and Los Angeles Olympics, and the enormous security precautions now necessary when athletes coma together is it even worth Cardiff competing for the prize?

Mr Ron Watkiss, vice-chairman of the steering committee putting together Cardiff's case and leader of the Tories on the city council, has no doubts. He firmly believes the Games will bring enormous benefits.

"The application has to be seen in the context of what is taking place in Cardiff as a whole. Enormous changes for the better are happening here. Wa have developed into one of the best shopping centres in Britain. We're the home of one of the best opera companies, an enormous redevelopment of docklands is taking place.

"The cost of the bid, around £170,000, has brought great publicity to the city. We have become well-known across the Commonwealth as well as in moch of the rest of the world. We are building here a city for the 21st century and the Games is part of taking us forward, by creating the facilities that are essential in such a city.

"Then there are the visitors who will actually come. Some 3,000 athletes and officials are expected and countless spectators. All these peopla will see what a magnificent place Cardiff is. There is all too often still a conception of Cardiff as a city of coal, dirt and dust. Nothing could be further from the truth, bnt the image persists."

Mr Ron Watkiss, organising committee chairman for the 1994 Commonwealth Games, surveys the beginnings of the athletics complex

Economic benefits would certainly flow from the Games in addition to the income generated by visitors. Jobs will be created by the building programme necessary to provide facilities or improve existing ones. An athletics stadium to international standards capable of holding a crowd of 15,000 is already under on the stocks. This will be enlarged to hold np to 35,000 people if the Games bid is successful.

An Olympic-size swimming complex to replace the now outdated pool put up for, and carrying the name of, the 1958 Games is needed. Other facilities would have to be provided for the badminton, boxing, cycling, gymnastics, judo, bowls, shooting and weightlifting that comprise the programme.

Mr Harry Crippen, chief executive of the city council, points out that facilities such as the St David's Hall, focal point for much of the city's artistic life, have brought a new dimension to the arts in Cardiff and the athletics stadium and adjacent swimming complex would do the same for sports. Sport, he says, has always been seen in Cardiff as a medium to develop and reinforce good relations between different countries and the Commonwealth Games, in particular, are seen as a symbol of racial harmony.

Cardiff has a good record in this area, though the redevelopment of docklands is touching a few exposed nerve ends because this is what many of the black community live.

A commitment to the Games is seen within the city as a commitment towards racial harmony and integration. Cardiff has made loud noises about being anti-apartheid in principle and pnt strong pressure, successfully, on the Welsh Rugby Union, the one body which maintains links with South Africa, not to rock the boat by sending a rugby team to play the Springboks. With 16 African countries represented in the Commonwealth Games Federation, winning the black vote, in so far as it is a unified vote, is essential. Many of those countries have been impressed by what Cardiff is doing, Mr. Crippen believes.

Certainly, the city has been assiduous in courting the Africans. It sent two leading Labour politicians – Lord Brooks and Mr John Reynolds, leader of the council – to Harare for an anti-apartheid meeting.

Part of Cardiff's strength also comes from the cross-party support which the bid has generated. There is no fear of inter-party factionalism such as undermined matters at Edinburgh. All shades of political opinion will be represented and pitching-in together at Seoul.

Delegations bave also been to Barbados, to Nairobi for last year's African Games, to Stuttgart for the 1987 European championships, to Rome for the World Cup and even, two years ago, to Seoul itself for the Asian Games.

All this has been achieved out of the tight budget of £170,000. Victoria, by contrast, spent £600,000 on winning the right to be the Canadian representative and will spend a lot more on its case in Seoul. Delhi is an unknown quantity because it was a late entrant and is heevily backed by the Indian government.

If Cardiff is chosen the projected cost is £50m, some £32m on capital costs such as building the stadiums and £18m for running costs. The capital costs will be met by the city itself, Mr Crippen says, as every year for the next four or five years a sum is being built into capital budgets which will be allocated for Games facilities. Cardiff is not rate-capped and has worked out its sums carefully.

It has not, though, done much research on the potential numbers coming and the likely income effects for the city. It believes the problems of Edinburgh, where a change in political control before the Games took place, can be evoided since there is such all-party unanimity.

"If we fail," says Mr Crippen, "we shall still heva gathered enormous benefits just from the application. People now know about Cardiff who did not before. What we are doing here has had wide coverage in the media around the world."

Conferences

# Moving towards the top of the league

THIS AUTUMN, for five days in the middle of October, Cardiff plays host to some 800 delegates and an unknown number of spouses attending the Law Society's annual conference. A few weeks earlier it will hold the National Association of Retired Police Officers' conference and one on digital equipment with 500 delegates.

The conference trade is big business and Cardiff is fighting hard to win an increasing share of it. And the city has been much encouraged by the recent decision of the Brent Walker group to undertake an £18m world trade centre and associated hotel that will include a 5,000-seat conference facility. Construction work is due to begin soon and will be completed by the middle of 1990. Such a complex will give Cardiff the chance to move to the top of the conference-town league, alongside Brighton, Blackpool and some of the London convention centres able to accommodate this number of delegates.

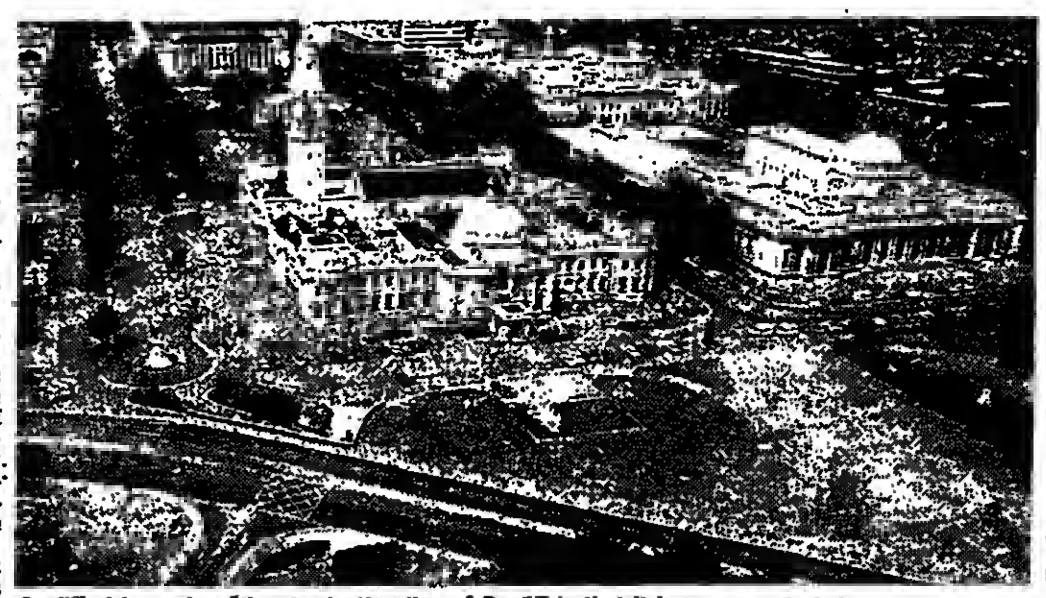
At the moment, Cardiff is theoretically limited to handling conferences of upto 2,000 delegates – the seating capacity of the St David's National Concert Hall; though in practice the city finds it difficult to sleep, within reasonable distance, more than about 1,300 visitors. So the Law Society get-together will be approaching the top end of the scale.

But the next few years will change all that. Apart from the greatly increased conference capacity to be provided by the world trade centre, a number of new hotels are also in the pipeline, including a £4.2m hotel by Brent Walker, the centre's developer. This one will be built alongside Atlantic Wharf, part of the new docklands conversion.

The need for the development of conference business and hotels to move hand in hand is pointed out by Miss Ann Roberts, who has recently taken over as conference manager for the Cardiff Marketing Bureau. "People want to be close to a venue and it is counter-productive to have to ask them to sleep a dozen or more miles away."

"The great attraction of Cardiff is that it is a compact city. Nothing is very far from everything else. If those coming here find they are cut off in the evenings, or have a long way to go, then they will not return," she says.

Conferences are big business. Each delegate probably spends at least £70 a day on hotel, meals and drinks. A big conference can, with attendant back-up staff, journalists, public-relations advisers and the like, mean an injection into the local economy of at least £70,000 a day.



Cardiff civic centre: "the great attraction of Cardiff is that it is a compact city"

Cardiff has 25 conferences booked this year – about a quarter more than in 1987 – though not all of are as big as the Law Society's. But taking an average sized gathering of around 300 delegates, spending three days in the city, then the gross income cannot be less than £1.6m. To this has to be added the not inconsiderable amount which may be spent by delegates' spouses, presents for those who have not brought their other halves and such extras as organised visits.

It is clear Cardiff is already grossing at least £2m a year and the figure could be considerably higher. This is a sum well worth fighting for.

Apart from the St David's Hall, Cardiff has two other venues in the 1,000-seat range. The university can handle up to 1,500 in one of its halls and can even accommodate a large number of them – but only in the vacations.

The other big venue is the National Sports Centre, whose design, attraction and ambiance is directed more towards the sportsman for which it was originally intended. Last month, though, it played home to Media 88, an exhibition of media interests in the city and had some 70 stands within the building.

Elsewhere, most of the bigger hotels have facilities to accommodate up to about 300 delegates and these are widely used, especially for the local, one-day, events that are still important for the city's economy.

The Brent-Walker trade centre is important because it offers the potential to take Cardiff up a giant step in the conference league. "This is a highly competitive business," Miss Roberts says, "and it is not enough to be known as an attractive city. You have to have all the facilities if you are to win the big conferences."

The difficult bit, she admits, is convincing potential organisers that Cardiff is a city worth visiting. The city, she feels, still has too many associations with its industrial and commercial past.

"Once we get people to come here and see what the place is like then we are a long way towards clinching a deal." It's getting them there in the first place that is the difficult task."

There have been some notable successes. Next year the Confederation of European Agriculture will bring at least 600, possibly as many as 1,000 delegates from all over Europe to the city and the International Hospital Christian Fellowship has inquired whether it might hold a 2,000-strong conference in 1994. International conferences tend to be even bigger income earners.

To work as far ahead as 1994, is not unusual. The file on the Law Society was opened in 1980 and the Chartered Insurance Institute, has a booking for the St David's Hall on September 28 and 29 1995. Two years earlier, an international gathering, the Association of Commonwealth Universities, will be in the city. It not only pays to book ahead in this business - it is virtually essential.

# Economic rebirth

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inland lake created by the barrage attracting inward investment. The opposition is coalescing around the parliamentary bill necessary to secure its construction.

Mr Barry Lane, chief executive of the development corporation, says that the barrage is central to the development strategy and that regeneration will be difficult without it. Others go further. Mr Ron Watkiss, a member of the corporation's board and leader of the Conservative opposition on Cardiff City council, believes that without it, the rejuvenation could founder.

The Bill will be presented to parliament this autumn and Mr Inkin is hoping that the cross-party support, a feature of much of Cardiff's political life – all parties, for instance, have joined forces to try and secure the 1994 Commonwealth Games – will ensure its success.

The redevelopment of docklands is essential for one other reason. Although Marks and Spencer's Mr Gilbert says that Cardiff is Britain's "great secret", the public conception of many people outside Wales is of a city encrusted in the coal grime of generations of industrial despoilation.

"It's sad, but that's how many people still see us," says Miss Ann Roberts, whose job is to bring in conferences. "Once we get people here they are quickly converted. The problem is getting them in for a first taste."

Cardiff has other problems. It has too little executive housing to attract the executive who may be thinking of moving in. The first houses costing over £200,000 ever completed have just been sold by the Bailey Group. They numbered six – and went fast.

The city's unemployment is just over 11 per cent, nudging the Welsh average and too high for comfort. The development of the financial services sector has been hampered by lack of merchant banking facilities snch as Birmingham, Leeds, Manchester and Bristol take for granted. It is incongruous that Cardiff, a capital city and the most important regional centre of government in Britain after Edinburgh, does not have a representative office of the Bank of England.

Even with these deficiencies it is, says Mr Keith Edwards, senior partner of solicitors Edwards Geldard, "an exciting place to be in and a city with a tremendous future. A lot of wealth is being created."

**"Cardiff has come on by leaps and bounds in the last few years. It is a jolly good place to work"**

A fellow lawyer, Mr Roger Thomas, of Phillips and Buck, supports him. "Cardiff has come on by leaps and bounds in the last few years. It is a jolly good place to be working in."